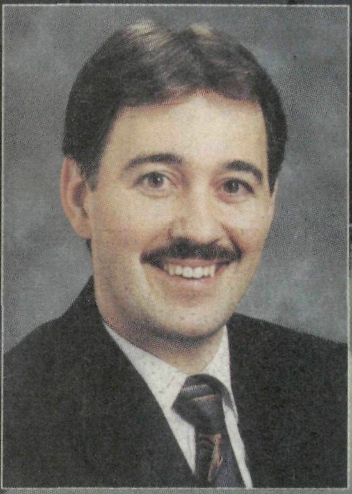
CANADIAN Taxpayers FEDERATION

THE TAXPAYER

Promoting the responsible and efficient use of tax dollars Vol 9 no 4/97

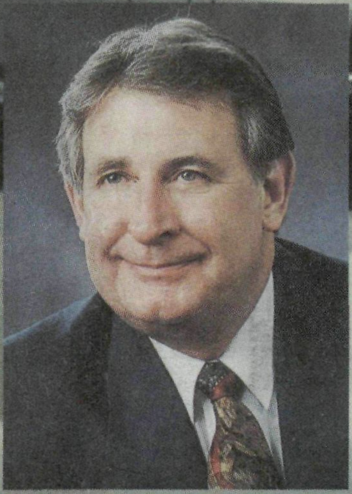
A Tale of Two Provinces

Glen Clark



British Columbia

Ralph Klein



Alberta

In this issue:

The Canadian Taxpayers Federation
105-438 Victoria Ave. East
Regina, Sask.,
S4N 0N7

MAIL POSTE
Canada Post Corporation / Société Canadienne des postes
Postage paid Blk
Poste payé Nbre
Permit No. 1228374
S4N 0N7

Vol 9 no 4/97

TABLE OF CONTENTS

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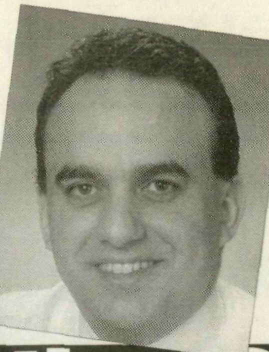
What's new at the CTF!



by Troy Lanigan

Yes it's *The Taxpayer.*

Nine years later and the Canadian Taxpayers Federation (CTF) is experimenting with a new format for its flagship publication.

This is not all that's new at the CTF.

You'll notice many new names beside articles in this issue. Mark Milke has been appointed provincial director in Alberta. Victor Vrsnik, previously a researcher, has moved up to become provincial director in Manitoba. Victor's predecessor, Brian Kelsey has moved East to give the CTF a full time presence overlooking Queen's Park in Toronto. And finally, Walter Robinson the CTF's recently appointed Federal Director has already made his presence felt in our nation's capital.

We've also had some departures. Mitchel Gray and James Forrest in our Alberta office and Moira Wright in Saskatchewan have each gone on to new careers. Paul Pagnuelo who served tirelessly as a volunteer carrying the CTF banner in Ontario has taken a step back to reacquaint himself with a family that has been every bit as supportive and dedicated as he has. To each of these people, whom I have had the honour of working with closely over the years, we all wish you the very best. The CTF is a stronger organization for your contribution. As taxpayers we are grateful for the many battles you have won in Ottawa and your respective provincial capitals.

The CTF continues in its tradition of unrelenting scrutiny of government spending, reporting on the impact of government policies and placing the tools in peoples' hands to affect real and meaningful legislative changes.

In this issue we broach the taboo subject of aboriginal spending. Predictably the CTF was labelled "racist" by an Indian Chief in Saskatchewan before the ink was dry on this issue. It's precisely this kind of mindless ad hominem attack that prevents any serious or constructive discussion about the $5.7-billion that is spent each year by the federal government on a myriad of aboriginal programs. "Accountability" for aboriginal spending has been raised by Canada's Auditor General, a provincial court judge in Alberta and increasingly, by natives themselves.

This issue also tells "The Tale of Two Provinces". Earlier this decade Canada's two western-most provinces elected governments that have pursued radically different policy courses. Six years later the entire country can begin to measure where these two different policy directions have taken both Alberta and British Columbia. Hopefully the results are as clear to the federal government as they are increasingly becoming for those living on both sides of the Rockies.

As always, we look forward to, and encourage your letters and feedback on this "new-look" issue of *The Taxpayer.* ■

Troy Lanigan is the National Communications Director, Victoria, British Columbia.

• Federal Director's UPDATE

The CTF office in Ottawa

is now up and running, and an action plan has been prepared for the year.

Two months on the job and I am now comfortable in my role and comfortable in the knowledge that the CTF is but a cleanly hit 3-wood away from Parliament Hill.

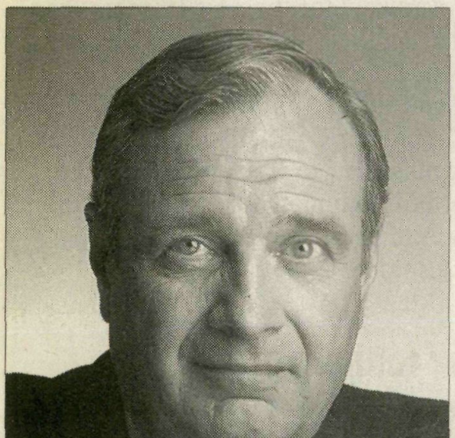
Since taking on the new position, I have had the opportunity to travel the country and immerse myself in the organization. I attended a press conference in Prince George, B.C. with Troy Lanigan announcing the CTF's support for use of the province's recall law that comes into effect this November. Mark Milke and I participated in a number of media interviews and editorial board meetings on a swing through Alberta. And in Toronto, I assisted Brian Kelcey with the set-up of our new operation overlooking Queens Park.

Along the way, I've had the opportunity to meet our support service representatives, our board members, staff, volunteers and many supporters who make the CTF what it is. My meetings have been both productive, educational and inspirational.

During these travels one thing has become certain. The importance of the CTF during the next mandate of this federal government is clear. This fall's sitting of the new parliament will be historic, with five parties looking to reflect their constituents' concerns. An opportunity for unprecedented debate is upon us. This makes the CTF's role that much more important. We will continue to press the government for "real" CPP reform and to attack privilege in our system. Moreover, we have the opportunity to shape the debate in the post-deficit era. Taxpayer interests must be first and foremost in these discussions.

Deficit elimination has been achieved on the backs of taxpayers. So should taxpayers expect to reap some of the fiscal dividend? I need you to tell me where that first dollar of surplus should go. Is it debt reduction, tax relief, reinvestment and spending or some combination of these three options? What are the other options? I look forward to and encourage your input ... exciting times lie ahead.

Walter Robinson



Did Finance Minister Paul Martin PROMISE A TAX CUT?

Was it a slip of the tongue or did he really mean it? During a break in discussions at a G-8* conference held in Denver, Colorado, this past June, Finance Minister Paul Martin stated that once the federal budget has been balanced in the second half of the Liberal term of office, Canadians can expect a tax break.

In a Canadian Press interview, Martin said, "My own personal view is that... relieving the tax burden for middle-income and lower-income Canadians has got to be where the first cuts begin."

Martin also discussed the possibility of increasing the maximum amount that individuals can contribute to their RRSPs, which is currently set at $13,500. However, there is little use in increasing this limit unless people can actually set aside those kind of dollars. Canadians, on average, contribute about a quarter of their RRSP limit, or $3,500 a year.

These tax breaks were discussed as a way of providing individuals with the financial resources needed to be able to save for their own pensions, thus reducing the crushing financial burden that is already starting to drop on the government pension systems.

Such comments might provoke little more than a yawn from promise-weary Canadians who saw and heard it all during the 1993 federal election, when the Liberals promised to get rid of the GST.

Nevertheless, there is still a glimmer of hope for tax-scarred Canadians.

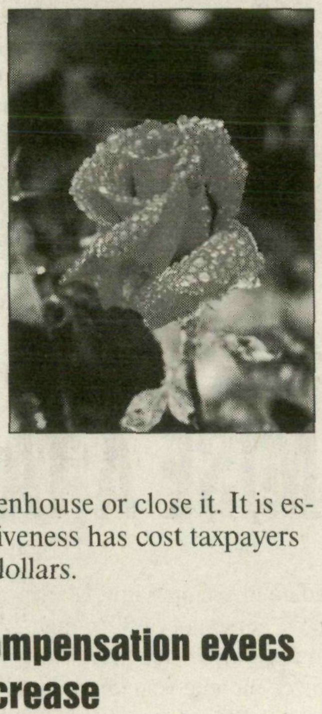
The statement was not made in the heat of a federal election fight, where like in any war, the first casualty is often the truth. ■

* The G-8 represents the 8 largest economies in the world: Canada, U.S., France, Great Britain, Japan, Germany, Italy and the newly added Russia.

Waste Watch

City-owned greenhouse lives up to its name

A horticultural task force has recommended that Regina City Council maintain its taxpayer-subsidized greenhouse which costs taxpayers $180,000 a year. This despite the fact all the bedding plants the city needs could be purchased from the private sector for just $40,000 a year. Since 1992, the city has been in the throes of trying to decide whether or not it should keep the greenhouse or close it. It is estimated this indecisiveness has cost taxpayers over half a million dollars.



Workman's compensation execs get big pay increase

The senior executives of Alberta's Workers Compensation Board (WCB) are already the best paid WCB executives in Canada. And, they received another increase this past year. It's their third straight yearly increase. The benefits and wage packages for senior executives at Alberta's WCB increased by as much as $91,000 a year since 1993. In 1996, WCB's executive director's salary and benefits package increased from $347,500 in 1995 to $367,400. To put this in perspective, the senior WCB executives in neighbouring Saskatchewan and B.C. reportedly earn $158,000 and $120,000 respectively.

GST scarier than communism

In 1989, the Ng family moved from Hong Kong to Toronto to escape the communist takeover of Hong Kong that took place this past July. While in Canada, the family tried to set up a jewellry business. Unfortunately, their entrepreneurial efforts coincided with the recession of the early 1990s. And when the federal government introduced the GST in 1991, they decided that the Canadian climate was not favourable for success in business and that their chances would be better in Hong Kong. They moved back in 1992.

Red Deer keeps the cash

In Red Deer, Alberta, Charles and Marion Lavallee found out their home had been overtaxed for the past 12 years. The City was basing their property taxes on the assumption the house was 2,246 square feet when in fact it was only 1,888. When the Lavallees approached the city for a refund of $890, reflecting their overtaxation, they were refused. A motion initiated by councillor Bill Hurd to refund nearly half of the overpayment was also defeated.

Highway robbers or city assessors?

According to a letter published in the *Regina LeaderPost*, Ms. Glettler has been paying property taxes on a garage that doesn't exist. She stumbled upon this revelation almost accidentally. The City of Regina was in the process of changing the way property taxes were assessed, a move initiated by the provincial government. While at City Hall on other business, Ms. Glettler decided to pop into the assessment office to find out how her tax bill was arrived at.

Waste Watch

While there, she discovered she was being assessed property taxes for a garage that doesn't exist. After talking with her neighbours, she discovered that a garage had been there, but was torn down before she bought the home. When Ms. Glettler approached city officials with the information, she was told they would remove the garage from her assessment. However, they would not refund her the 14 years of overpayment because it was up to her to inform them that she didn't have a garage, even though she never knew it existed. Shortly after this incident, the City sent out a notice that because of changes in their tax policy her property tax assessment would go up nearly 25%. Now that's justice.

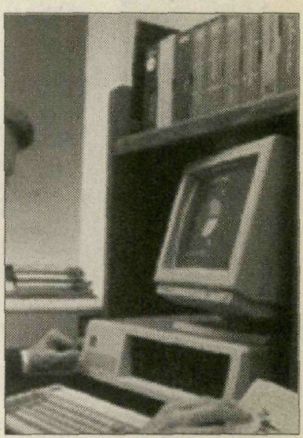

Regina City Hall

Making baby bureaucrats

The federal government, itching to spend more money, rather than create real jobs, has implemented a $90 million youth employment program. The three-year program will be aimed at unemployed youth and will put them to work in the federal government bureaucracy. Yes, Ottawa wants to make baby bureaucrats. Half of the money will be designated to employing 1,500 high school drop outs and another 1,500 jobs will go to unemployed youth with a post secondary education. Unfortunately, these are not real jobs. When the money runs out so will the work. Instead of wasting money in this fashion, the government should cut taxes so real, sustainable jobs can be created - ones that will have a longer shelf life than three years. Or is it Chretien's intention to change these baby bureaucrats into full-time ones, once the program has run out?

It doesn't look good

Last year, Microsoft Corp. edged out a Canadian company, Corel Corp., in a huge contract worth approximately $10 million to supply computer software to the Department of Defence. Interestingly enough, Saskatchewan Reform MP Lee Morrison found out that in the same year, Microsoft Corp. had donated software to the Liberal party worth $61,762. This was up from $0 in 1994. Both the government and Microsoft insist that the political donation had nothing to do with the company receiving the contract.



Is CBC hurting?

In a letter to *Macleans Magazine,* Dwayne Johns of Kitchener, Ontario writes: "As a retired broadcaster who worked behind and around the microphone for 52 years, I was astonished - and as a taxpayer enraged - when I read about the new CBC radio program *This Morning* ("Radio renovation.", Media. Sept.1). I cannot imagine how any radio program could use a staff of 32 to produce one show six or even seven days a week. That is considerably larger than the entire staff of many radio stations in this country, operating 24 hours a day, seven days a week. A staff of 10 or 12 would be extravagant, 32 is insulting. I for one have suddenly changed my mind about the 'damaging' cuts made to CBC financing."

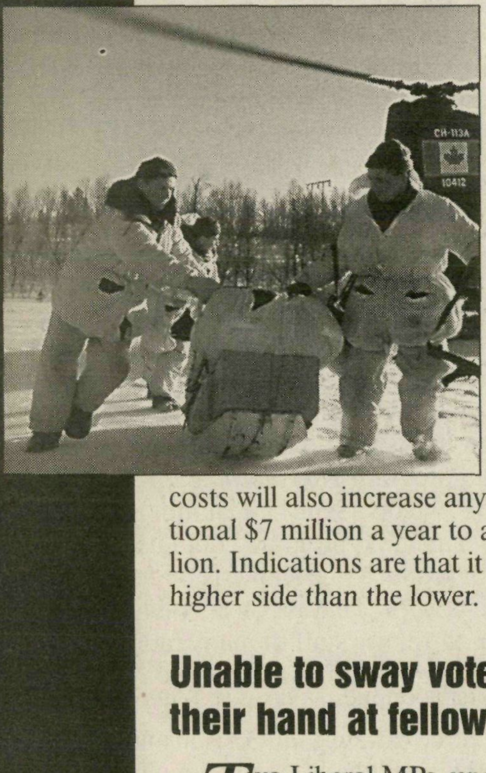
Waste Watch

Federal polling

The Saskatchewan government came under attack this past July from the opposition for using provincial money to fund two polls prior to the federal election. The polls, conducted in March and April, cost provincial taxpayers approximately $40,000. The opposition parties argued that the federal questions in the two polls would only have benefited the federal NDP. The polls also asked questions related to provincial issues.

NATO costs expected to jump

Canada's contribution to NATO is expected to increase with the announcement that Hungary, the Czech Republic and Poland will be added. At present, Ottawa pays approximately $157 million a year for NATO. This doesn't include any costs related to maintaining Canada's permanent peace-keeping force. With NATO's expansion, reports suggest that Canada's costs will also increase anywhere from an additional $7 million a year to as much as $60 million. Indications are that it will be closer to the higher side than the lower.

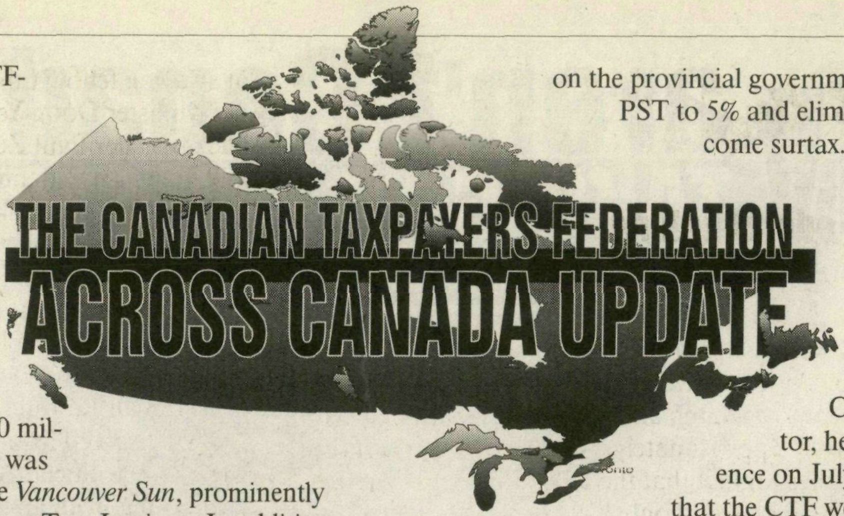


Unable to sway voters, MPs try their hand at fellow Liberals

Two Liberal MPs, unable to convince their constituents to support them in the past federal election, have decided to try their hand at swaying fellow Liberals. Former Cabinet Minister Doug Young and former back bencher Paul Zed have started a new lobbying firm with an office in Ottawa. Lobbyist are generally contracted by private groups to provide information on the workings of government as well as to influence government. Under the rules, Young will not be able to approach any of his buddies at the Department of Defence and Human Resources Development where he served as minister in his last two years as a politician. The rules also prevent Young from approaching any cabinet ministers who are holding the same cabinet post as they did when he was a cabinet minister.

Infrastructure program goes biking

The federal government's vaunted infrastructure program strikes again. On July 2, 1997, Ottawa announced 77 new projects in British Columbia. Over half these projects, 40 in total, went for bicycle trails. Although no one has been able to figure out how these fall under infrastructure, over $5.4 million is being spent to build or renovate 89.56 km in bike trails. This works out to an average $60,596 per km. The city of Victoria had the most expensive bike paths coming in at over $298,000 per km. Overall, Burnaby was the biggest winner getting $897,000 for 8.8 km of bicycle trails, followed closely by Vancouver which got $840,000 for 11.8 km.■



VICTORIA - The CTF-BC uncovered a sneaky legislative amendment where all four political parties in the BC legislature agreed to extend benefits under the MLA pension plan. The move will cost taxpayers as much as $20 million. The story, which was front-page news in the *Vancouver Sun*, prominently featured comments from Troy Lanigan. In addition, the CTF-BC did 20 other interviews on the story that same day.

WINNIPEG - The CTF-MB led a coalition campaign to attack the government's regressive changes to the Freedom of Information Act. The CTF-MB was featured in a *Globe and Mail* article and a live lead story on *MTN TV.*

REGINA - The CTF-SK issued a news release criticizing the results of the government's Crown Corporation Review which wasted millions of tax dollars and simply rubber stamped the government's agenda. Several media calls resulted from the release. The CTF now plans to deliver a petition containing over 40,000 signatures demanding reforms to the Crown sector.

WINNIPEG - For the first time in its history, the CTF-MB was quoted in 14 stories giving them their first ever full-court coverage in all major media outlets on the same day. The interviews involved a number of separate issues including Freedom of Information, the flood tax and photo radar.

EDMONTON - The CTF-AB commended the Klein government for continuing on its course of debt reduction. For the third year in a row the government has had a surplus, and this year reduced its debt by $2.5 billion. Alberta's net debt was originally expected to be retired by the year 2022, but that has now been revised to 2005-06.

REGINA - The CTF-SK took aim at the provincial government for the dubious distinction of being named Canada's highest-taxed province by the Fraser Institute in its annual Tax Freedom Day calculations. Calling the province's tax burden a national shame, the CTF-SK called on the provincial government to reduce the PST to 5% and eliminate the 10% income surtax.

PRINCE GEORGE - Troy Lanigan, Provincial Director for CTF-BC and Walter Robinson, the CTF's Federal Director, held a news conference on July 29 announcing that the CTF would serve as a support organization for citizens interested in using the province's recall law which comes into effect November 1997.

CANADA - Effective August 1, Mark Milke was appointed Provincial Director of the CTF in Alberta. He will be based in Edmonton. Effective the same date, Brian Kelcey took over the role of Provincial Director in Ontario having previously worked as the Provincial Director in Manitoba. Victor Vrsnik is the new Provincial Director for Manitoba. Victor was previously a researcher for the CTF in that province.

WINNIPEG - The Manitoba office has been swamped with media calls over the past few months dealing with a number of pork barrel issues, including a proposed bailout of Eatons, tax credits, increased government subsidies for the 1999 Pan Am Games and subsidies for a new ball park.

OTTAWA – With the opening of its Ottawa office in July, Federal Director Walter Robinson has been busy addressing a number of provincial and federal issues including an Alberta sales tax and the MPs' Compensation Review Commission. He has had interviews with various media outlets including the *Globe and Mail, Ottawa Citizen*, and *Winnipeg Free Press.*

WINNIPEG - The *Winnipeg Free Press* ran an editorial by Victor Vrsnik on hidden taxes in Winnipeg Hydro bills.

JARVIS, ON – The CTF's debt clock drew quite a crowd at the Jarvis Corn Fest. Free supporter draws and a petition urging Mike Harris to keep his promise on Taxpayer Protection legislation were big drawing cards.■

Why aren't Canadians TAKING TO THE STREETS?

By Dean Smith

How has a $10-billion tax increase managed to escape the public wrath? Why haven't people taken to the streets?

This past fall, the federal government announced plans to dramatically increase CPP premiums over the next 10 years to bring some form of sustainability to the plan. It amounts to a $10-billion tax grab as CPP premiums are to be increased from 6% effective this year to 9.9% in 2003. This would see CPP premiums increase by a maximum of $1,380 a year.

By the year 2003, employees earning salaries in excess of an estimated $35,700 a year will expect to pay nearly $3,534 in CPP premiums.

Yet people have shown little resistance to having their pockets picked in this way. This has happened for a number of reasons. Because people are being

Continued on page 9

stretched to the financial limit, many are unable to put aside enough money to ensure an income in later years. Consequently, they look upon the CPP as some guarantee of an annual income and are ready to pay the extra costs to ensure it's still around when they retire. CPP is also one of the few payments taxpayers make to government where they see some tangible reward. Finally, most think they will not have to pay the full brunt of the increase since half of it is being picked up by their employers.

However, a study by Industry Canada has confirmed what many economists have been saying all along: CPP premiums are not paid equally by the employer and employee; rather, the employees are paying for the bulk of it. In her report, economist Joni Baran stated the CPP increase will cost jobs as employers are unable to hire new workers and eventually the cost of CPP premiums will be passed onto employees through lost wage increases. Some economists suggest that because of these factors, at the very minimum, instead of paying 50% of CPP premiums, employees pay over 80%.

This puts a whole new spin on CPP increases. Suddenly, it's looking like little more than a glorified RRSP where the contributions are made solely by the individual. Unfortunately, this glorified RRSP is being managed by the federal government.

This leads us to the second question. If you had been able to invest this money in your own RRSP, what pension could you possibly expect? As of January 1, 1996, based on the maximum contributions, you would receive a maximum CPP pension of $727 a month. Of course, if you had made less than maximum contributions this would be substantially less.

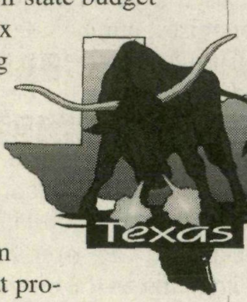
In 1991, the CTF compared the benefits that individuals would receive if they could invest 40 years of CPP contributions (both employee and employer portion) on their own, versus having Ottawa do it. Based on receiving an interest rate of just 6%, your monthly CPP cheque would be 15% higher. If the rate of return were 7%, it would be nearly 50% higher, and if you got 8%, it would be almost double. Meanwhile, over the past 10 years, good mutual fund managers have seen rates of return averaging over 15% a year.

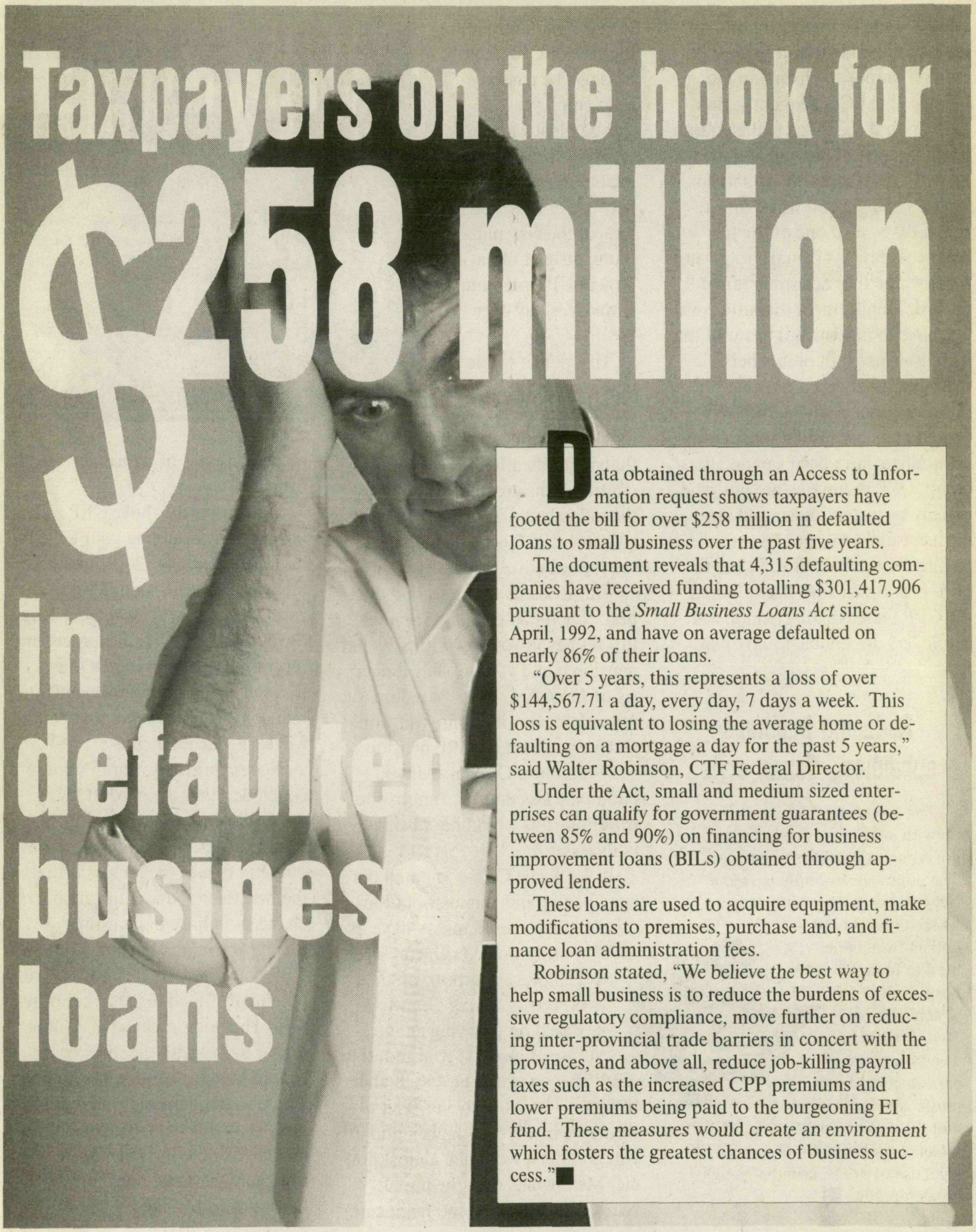
Unfortunately, those CPP rate hikes, nearly doubling your contributions by the year 2003, won't mean a higher pension. They are simply necessary to keep benefits at the current levels. In fact, there are reports circulating out of Ottawa that the government now wants to reduce pension benefits that people will earn when they retire.

Not surprisingly, Baran's study concluded that the hardest hit by the CPP rate hikes will be low income earners. The reasons are obvious. But one of the factors is that the wealthier you are, the greater chance you have of investing money above and beyond your CPP contributions into RRSPs with potentially much higher rates of return. The poor, meanwhile, will be forced to live with the rates being earned by the government-run plan. The Canada Pension Plan was initiated to provide a stable retirement income for low-income people, ironically the same ones now being hardest hurt by it. ■

Reducing business subsidies - Texan style

The Texas government has come up with a novel way of reducing it's government subsidies to business. The politicians recently passed a rider clause to their state budget which prevents tax dollars from being used to fund businesses which own 10% or more of a corporation that earns income from music sources that promote or describe pedophilia, violence, degradation of women, illegal use of drugs, criminal gangs or necrophilia. ■





Taxpayers on the hook for $258 million in defaulted business loans

Data obtained through an Access to Information request shows taxpayers have footed the bill for over $258 million in defaulted loans to small business over the past five years.

The document reveals that 4,315 defaulting companies have received funding totalling $301,417,906 pursuant to the *Small Business Loans Act* since April, 1992, and have on average defaulted on nearly 86% of their loans.

"Over 5 years, this represents a loss of over $144,567.71 a day, every day, 7 days a week. This loss is equivalent to losing the average home or defaulting on a mortgage a day for the past 5 years," said Walter Robinson, CTF Federal Director.

Under the Act, small and medium sized enterprises can qualify for government guarantees (between 85% and 90%) on financing for business improvement loans (BILs) obtained through approved lenders.

These loans are used to acquire equipment, make modifications to premises, purchase land, and finance loan administration fees.

Robinson stated, "We believe the best way to help small business is to reduce the burdens of excessive regulatory compliance, move further on reducing inter-provincial trade barriers in concert with the provinces, and above all, reduce job-killing payroll taxes such as the increased CPP premiums and lower premiums being paid to the burgeoning EI fund. These measures would create an environment which fosters the greatest chances of business success."■

WINNING THE SUBSIDY GAME...

By Dean Smith

One of the most appalling features of the 106 pages, obtained by the CTF under Access to Information, listing the 4,315 small businesses which had defaulted on their loans is the number of companies and individuals that paid down very little on their actual loan.

It works like this. A lending institution loans a business money with the provision that the federal government will guarantee the loan. Under the *Small Business Loans Act,* Ottawa will reimburse the lending institution up to 90% of what is still owing. The feds, however, will only do this once the lending institution has sold off any of the assets and applied these monies to the loan. In the end, it's the lending companies who come out the winners.

In 131 instances the principal was not reduced by a single dollar. For example, Baseball Bar (Mississauga) Inc. received a loan of $250,000 which was paid in full by the government. It was the same story for Batting Cages (Mini Dome) Inc. $250,000 and Cafe Cappuccino Ltd. $88,400.

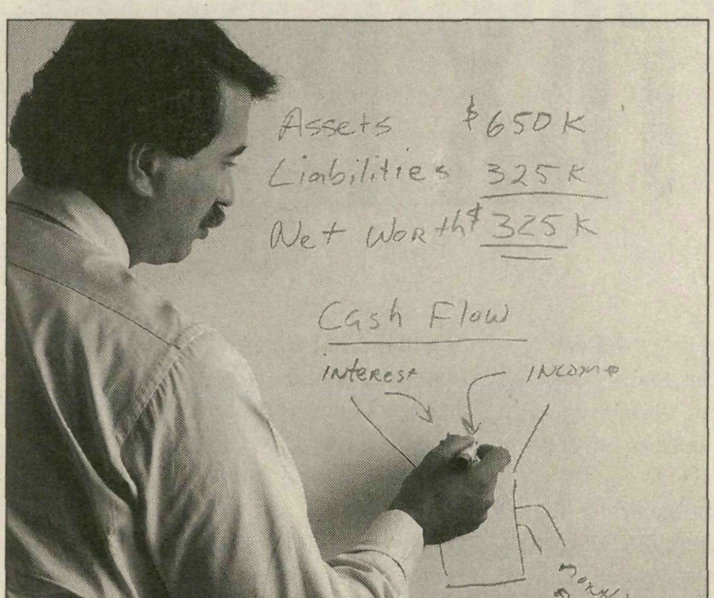
In nearly 40% of the defaulted cases, less than 10% of the loan principal was paid off. Network Offices (Toronto) Inc. got a loan for $250,000 and taxpayers were forced to pay the bank $249,871. Although the money was used to purchase equipment, once everything was settled, only $128 was used to reduce the principle.

In 12 instances, land was purchased. Numbered company, 1110702 Ontario Inc. received a loan for $75,000 to purchase land and the government still had to pay out $69,588.58. 3093-3840 Quebec Inc. got a similar loan for $250,000 and taxpayers coughed up $239,406 to pay it off. What gives?

Fifty-five business loans of less than $5,000 were also guaranteed by Ottawa. This included one for $1,323 in which $25.94 was paid on the principal before the government coughed up the rest. If loans of this size can't be paid off, how viable were these ventures in the first place?

One gets the impression that some of these companies were in trouble long before they received the loan. And in the case of new businesses, there was either too much competition, poor management, they were under financed, or it was plain and simple just a bad idea.

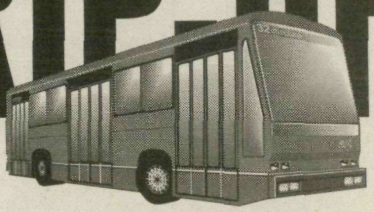
Whatever the reason, one has to ask some very basic questions. Do government officials look at the books? Are feasibility studies completed? Should governments provide companies with financial assistance so they can compete with other business owners who are risking their own money? And most importantly, should taxpayers be on the hook for hundred of millions in defaulted loans? ■



Even if the subsidies succeed, they result in business and jobs being taken from other successful companies. When they fail, they cost taxpayers hundreds of millions of dollars.

Count the passengers on this empty transit bus. Now count the tax dollars.

I WANT OFF THE URBAN TRANSIT TAX RIP-OFF



By Dean Smith

I am one of those city dwellers who lives on a bus route. Each day as I go to and from work, I regularly encounter a Regina city bus travelling down our street. One day I noticed, that except for the driver, the bus was completely empty. After that, I decided to keep a closer watch. Time and time again, it was the same old story - an empty bus. On occasion, there were one or two passengers huddled at the back, but well over half the time there were none.

A few weeks later, my neighbor and I were talking. He told me that a huge crack had developed in his basement wall and he blamed it on the buses that regularly rumbled by our homes.

Since the buses are city owned, I suspected that as taxpayers located on a bus route, our homes were not only being damaged, but we are probably paying for the bus service as well through our property taxes. Empty buses don't pay a lot of bills.

My suspicions were recently confirmed by a StatsCanada report. According to their study, empty buses will become an increasingly common sight across this country as ridership on publicly owned urban transit systems is on the decline. Not only has it been falling steadily since 1988, but in 1996 transit use reached its lowest per capita usage since 1970 and the trend shows no signs of reversing. Since 1988, passenger trips on municipal buses and subway systems in Canada have declined from 1.5 billion trips to 1.35 billion in 1996.

However, it's on the financial side where the stark reality of the situation really hits home. In 1996, urban transit systems across Canada collected nearly $1.6 billion in revenues while paying out over $3 billion in expenses. Translated, this means that for every $1 in operating expenses only 55 cents was collected in revenue. Between 1995 and 1996, urban transit costs increased nearly 6%, well above the rate of inflation, and costs are increasing faster than revenues.

So, what's the solution? More subsidies? According to Wendell Cox, a St. Louis-based authority on public transit, there is an alternative to the high tax route. Cities can reduce their transit costs between 30% to 60% by opening the system up to competitive tendering. Instead of providing the service themselves, cities should shop around and get

Continued on page 13

the same service at the best price. According to Cox, not only have cities saved money, but in some instances they have even reversed the trend of declining ridership. As an added bonus, governments are now collecting tax revenues from these privately-owned businesses.

The City of Los Angeles, for instance, faced with canceling routes because of declining revenues, decided to contract out part of its massive transit system to the private sector. The City experienced savings of up to 69% on certain routes with an overall cost reduction of 41%. Ridership has increased by 150% while usage of the remaining city-run service declined. As a result of these increased efficiencies, the city was able to reduce its transit fees on the contracted routes. In addition, there was a 75% reduction in customer complaints on the routes run by the private contractors.

Four years ago, the country of Denmark, which partially subsidized urban transit, passed a law requiring that 45% of the urban transit system in Copenhagen be open to competitive bidding by 1994. In the first year, the city managed to reduce its costs by 15%, with only 30% of its service being provided competitively. As well, the privately-run bus service resulted in increased ridership. The program was so successful, Danish politicians are now considering making the whole system competitive.

In St. Louis, local transit officials project savings in the 50% range because of contracting out.

In London, England, which has the largest competitive transit system in the world, between 1984 and 1993, contracting out has saved taxpayers nearly $2.4 billion (US) and that was with only half the city bus routes being run privately.

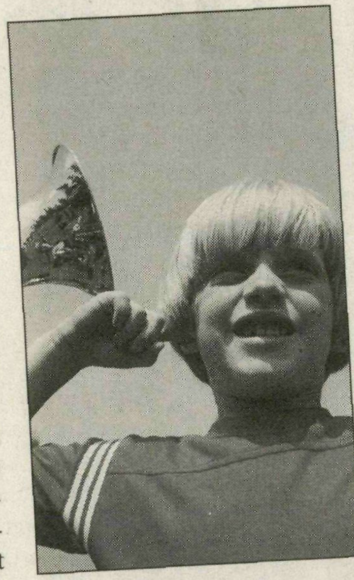
Such solutions, however, don't come easily. It requires a radical shift in how cities have traditionally done business. City councils must ask themselves if they are there to serve the interests of all their citizens by providing the best service at the best price, or are they there to serve the interests of government unions and other narrowly focused special interest groups? ■

Taxpayers in London, England saw their transit subsidies drop by nearly 50% when contracted out.

Montreal festival jazzed up with your tax dollars

by Dean Smith

This past June, Ottawa announced it would once again help fund the Montreal International Jazz Festival held this year from June 26 to July 6. Attracting people from around the world, the event features 400 concerts, with 300 of them free, making it one of the top five jazz festivals in the world.



This year, the feds kicked in $478,000 for the festival, with $193,000 from Canada Heritage and $285,000 from the Federal Office of Regional Development. Half a million dollars might seem like a drop in the bucket in the large scheme of things. But to my way of thinking, this is the very reason the federal government should stop funding the festival. Why bother giving it money at all? The festival attracts 1.5 million people each year and Ottawa's contribution works out to a staggering 32 cents per person. Surely if the festival is such a popular attraction, people would be willing to cough up the extra money. In particular, they would have to charge for those 300 "free" concerts.

The promotional material from the Jazz Festival is also worrisome. It perpetuates the myth that the concerts are "free." No, they are not free. We are paying for these "free" concerts, just as we pay for "free" medicare and "free" education with one of the highest tax burdens in the world.

But I suspect that even without this federal subsidy, the Montreal International Jazz Festival would still go on. It would still attract 1.5 million people from around the world and it would still be ranked as one of the top five jazz festivals in the world. ■

A tale of two


Premier Glen Clark
British Columbia

"It was the best of times, it was the worst of times, it was the age of wisdom, it was the age of foolishness."
Charles Dickens, A Tale of Two Cities

By Robert Pauliszyn

Centuries later, Dickens' famous opening line represents the perfect summation of British Columbia and Alberta's recent fiscal and economic performance.

Since the early part of the decade, Canada's two westernmost provinces have taken radically different tacks in their respective bids to balance their budgets and grow their economies.

The different paths they have taken are leading them to quite separate results. On one side of the Rockies you have a vibrant, growing economy, falling unemployment, debt reduction, and the prospect of tax cuts in the very near future. On the other side you have a fast growing debt, persistent deficits, a stagnant economy, and with it the likelihood of higher taxes down the road.

The story begins

In B.C., the former Social Credit government opened up the spending taps in the late 1980s. The provincial budgets started to bleed red ink. From a surplus of $456 million in 1989-90, the deficit ballooned to $2.5 billion by 1991-92 with the debt topping $12.5 billion.

In Alberta, the boom and bust economy hit bottom with a loud thud in 1991. The Progressive Conservative government of then premier Don Getty tried to spend its way back to the boom times. It was particularly generous with business loans and handouts in a bid to diversify the province's economy and reduce its reliance on volatile natural resource revenues. It wasted $2.3 billion on failed boondoggles since 1980. By 1993 Alberta's deficit hit a staggering $3.4 billion, or 20 percent of its budget. And the debt, virtually non-existent in 1985, had reached $17.5

provinces

billion. By a substantial margin, the Alberta government had the worst per capita deficit and the fastest growing debt of all the Canadian provinces.

The Alberta renewal

Shortly after Ralph Klein was sworn in as Alberta's new premier, his government commissioned an independent top-to-bottom review of the province's finances. After an exhaustive investigation the commission summed up its findings: "the need for change is urgent."

In May 1993, just before Albertans went to the polls in an election, the Tories unveiled a budget that included real cuts of up to 5% in core areas like health. The cuts started at the top with the elimination of the MLA pension plan and a 5% salary cut for MLAs and cabinet ministers. This wage cut was extended across the entire public sector. The budget sent a clear signal that the government would work to eliminate the deficit by reducing spending by 20 per cent over 4 years – there would be no tax increases.

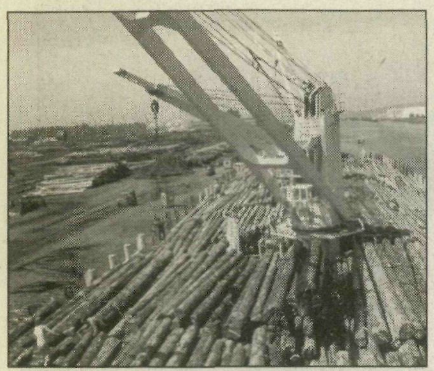
The Alberta government backed up its commitment with binding legislation. In 1993, the Klein Government passed the *Balanced Budget and Debt Retirement Act* which required a balanced budget each year starting in 1995-96; five-year milestones for reducing the net debt must be met with the net debt eliminated in 25 years; revenue estimates must be prudent; and all surpluses must go to reduce the net debt.

In January 1994, Premier Klein provided further details about his government's plan to eliminate the deficit by 1996/97. The key departments of education, health and social services – which accounted for 65 per cent of government spending – would face cuts ranging from 12.4 to 18.3 per cent over the next three years while other departments would undergo much deeper cutbacks.

In the first two years of its austerity plan, program spending was reduced by $2.3 billion and coupled with larger than expected revenues, the government ended up with a budget surplus two years ahead of schedule.

Continued on page 16


Premier Ralph Klein
Alberta



The BC plan of high taxes and high debt has produced a stagnant economy.

While critics of Klein's austerity plan touted the windfall revenues as a reason to stop the spending restraint, the Alberta government knew that the volatile nature of its revenues could not be counted upon to ensure balanced budgets in the future. Despite the unexpected surplus, the Klein government continued to cut spending. By the end of fiscal year 1997-98, program spending is expected to be down by $2.9 billion from 1992-93 levels.

The B.C. quagmire

On the other side of the Rockies, the B.C. government took a different tack. Then Premier Mike Harcourt believed the province could tax and spend its way out of its deficit. In the Harcourt government's first two budgets, former finance minister Glen Clark increased the tax burden by an estimated $1.6 billion, which included a controversial new corporate capital tax. The government also approved billions of dollars in new borrowing to cover an ambitious capital spending plan which was touted as a means of greasing the province's economic wheels and encouraging job creation.

Public anger over the government's tax hikes led to a Cabinet shuffle with Elizabeth Cull replacing Glen Clark in the finance portfolio. Cull introduced a detailed Debt Management Plan (DMP) in her 1995-96 Budget, committing the government to repay the province's direct debt and to cap and reduce the overall cost of debt. ***However, without the plan being backed up with binding legislation, like Alberta, it amounted to little more than an empty promise.***

The NDP government appeared more interested in covering up its expenditures than in controlling them. Millions of dollars in expenditures were moved off the government's consolidated accounts, which gave the illusion that the government was reducing the deficit. For example, while the province racked up cumulative deficits of $3.8 billion between 1992 and 1997, total taxpayer-supported debt increased by $8.7 billion over the same period. The numbers didn't - and still don't - add up.

Just before the May 1996 provincial election, the government stated that it had balanced the 1995-96 budget and achieved a $16-million surplus. It was also expecting an estimated $87 million surplus for 1996-97. After the election, the surpluses turned into a combined deficit of $742 million. According to the latest budget, the NDP government does not expect to see a budget surplus until fiscal year 1999-2000 – eight years after first coming to office on a promise to clean up the province's finances.

The economic impact

What matters in the end, however, is the impact of government policy on the economy.

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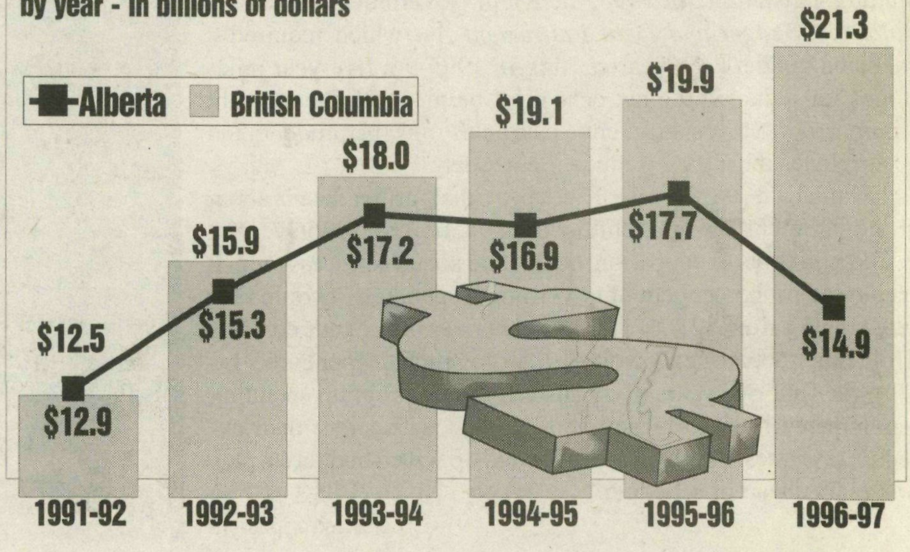
The net debt of British Columbia and Alberta

by year - in billions of dollars



Critics of Alberta's fiscal restructuring were quick to claim that the Klein government's policies would irreparably damage the provincial economy. British Columbia's "balanced" approach – which meant more taxes, spending and debt – would be a far more certain course to sustainable economic growth. These critics were wrong.

They failed to recognize that high taxes, a growing debt burden, and excessive spending are more likely to impede economic growth than encourage it. The proponents of bigger government, however, are finding it increasingly difficult to justify their position. There is a growing mountain of evidence that Alberta's economy is speeding forward while BC's is stuck in the mud.

The recession that hit most of the country in the early 1990s saw Alberta's gross domestic product (GDP) decline in 1991-92. British Columbia, on the other hand, escaped the worse of the economic downturn and actually posted a healthy 3.4 per cent increase in GDP that same year. Since then, the economic trendlines have taken different paths. While the pace of Alberta's economic growth is gaining momentum, BC's trendline is down and stagnating.

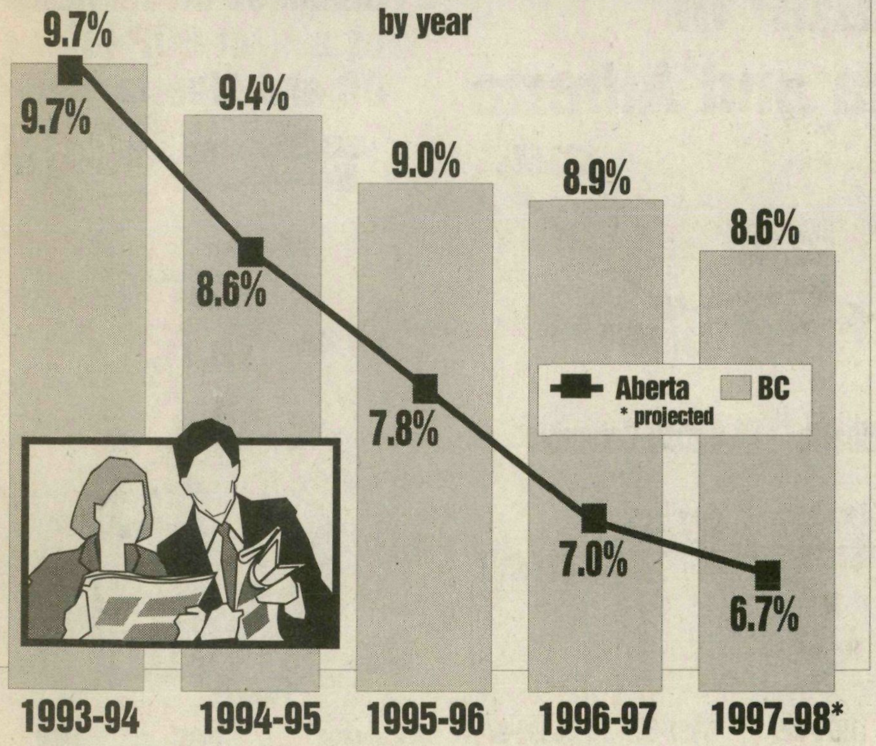
As a result of its low tax burden, Alberta has the fastest growing economy in Canada.

Further evidence of Alberta's changing economic fortunes can be seen in the province's unemployment rates. One prominent critic of the Klein government's austerity plan, Ottawa economist Mike McCracken warned in 1994 that the Alberta economy would lose 10,000 jobs for every year that spending is cut. In reality, the Alberta economy created an average of 39,000 new jobs per year since the cuts began. The unemployment rate dropped from 9.5 per cent in 1992-93 to the current rate of 7.0 per cent. BC's unemployment rate, on the other hand, is slightly higher today than it was at the beginning of the decade.

Recent evidence also suggests that British Columbia's high unemployment levels will likely get worse before they get better. According to a recent study by the Business Council of B.C., British Columbia has failed to keep pace with the rest of Canada in attracting new business investment, a critical precursor to employment growth. The report found the volume of business spending in 1996 was less than in 1991, even though the province's population and economy grew by 12-15 per cent; B.C. recorded the second-lowest increase in business investment in machinery and equipment among the ten provinces between 1991 and 1996; and over the period 1994-96, B.C. ranked last among the six biggest provinces in business spending on machinery and equipment

Unemployment rates for British Columbia and Alberta

by year



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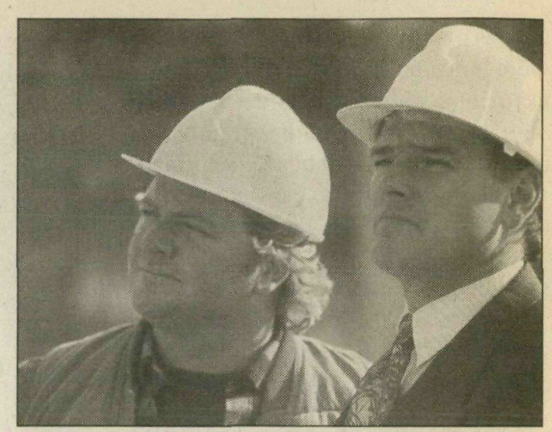
measured on a per employee basis and as a share of GDP.

The tax comparison

These trends suggest BC, unlike Alberta, is failing to lay the foundations required to assure a steady supply of "family-supporting" jobs in the future. One of the key reasons for the poor investment climate, the study points out, is that B.C. has "a provincial taxation structure that penalizes new investment (notably through the capital tax), imposes sales tax on purchases of machinery and equipment, and creates – via high marginal tax rates – disincentives for skilled people to locate in B.C."

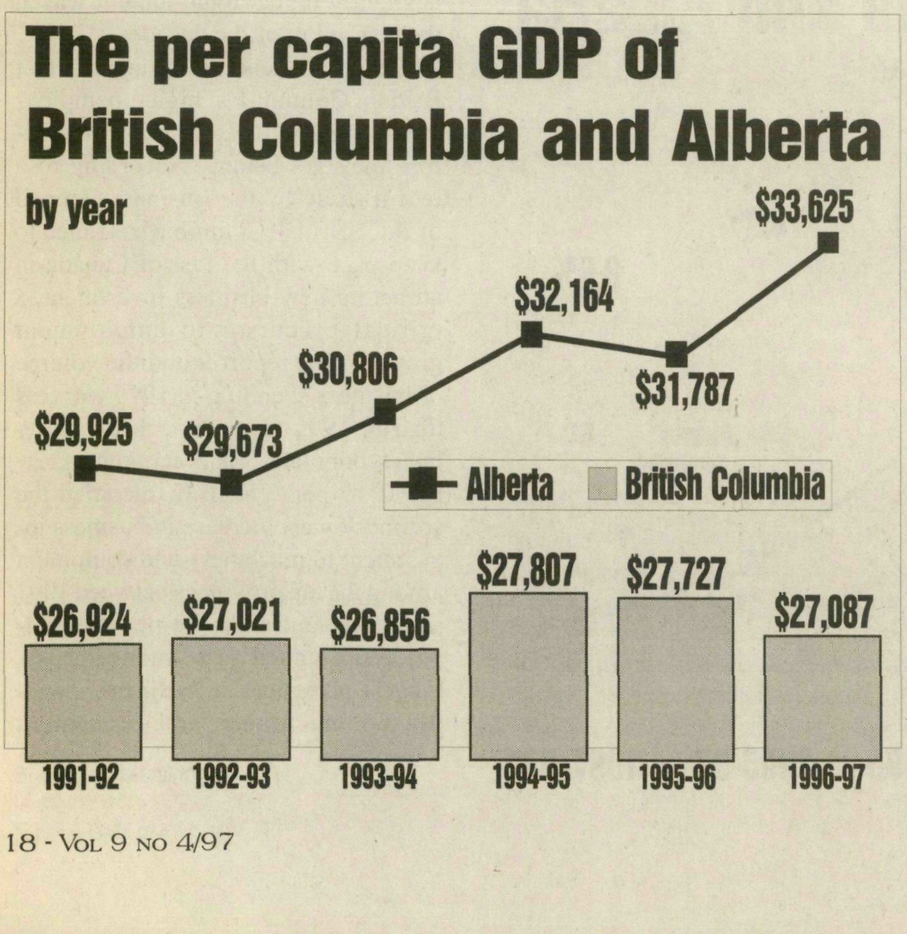
Compared to Alberta, B.C.'s tax gap is significant and growing. This is especially true of B.C.'s high marginal income tax rates, which are the highest in North America. While both British Columbians and Albertans have seen some minor provincial income tax reductions recently, the Alberta government is examining the possibility of more significant cuts in the near future. On the other hand, tax relief is definitely not a term that is currently in vogue at the B.C. Legislature.

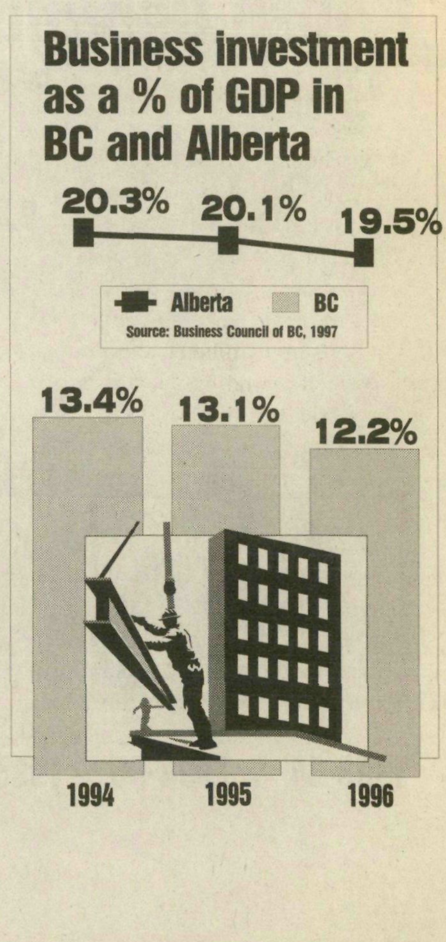


One economist brashly predicted Alberta would lose 10,000 jobs each year it cut spending. Instead 39,000 jobs have been created each year.

And, there are other government-created constraints playing on the BC economy: labour and employment laws that reduce employer flexibility and favour the interests of trade unions; a dramatic increase in regulatory costs imposed on the forest industry; and the growing regulatory and cost burden associated with the Workers' Compensation system. All of these factors have contributed to the current made-in-B.C. economic slowdown.

The case of Alberta shows that government can play a positive role in promoting economic growth and job creation. The answer is clear — remove the barriers that prevent people from creating wealth and opportunity. ■





The Department of Indian Affairs

Photo: Saskatchewan Archives

Canada's Auditor General

Call$ for greater financial accountability on Canada's Indian reserves

In 1994 and 1996, Canada's Auditor General Denis Desautels raised the alarm about funding problems in one of the government's biggest areas of spending — the Department of Indian and Northern Affairs. Warnings that Ottawa has largely ignored.

Last year, Ottawa doled out $5.7 billion on aboriginal program spending. The money was used for such things as education, social programs and economic development. In addition, in 1994-95, the provinces handed out $331 million under a variety of programs. For Canada's 600,000 registered Indians, the Federal and provincial spending on aboriginal program works out to about $40,000 a year for a family of four and for those living on a reserve it's tax free money. But with the rampant poverty and social ills on the reserves, one must ask if this money is well spent? It's a difficult question to answer.

In the late 1960s, Ottawa started turning over the management of social programs and other spending to the bands themselves. Since that time, concerns have grown by both natives and non-natives about how this money is spent.

In discussions with the Auditor General, aboriginal people spoke about the importance of accountability, not just to the taxpayers of Canada, but also to the intended recipients of government assistance.

Natives have repeatedly expressed concerns that the money is not getting to the people who really need it.

Two cases that have recently emerged in Alberta show that Desautels was right to sound the alarm.

Alberta provincial court Judge John Reilly recently called for an investigation into the conditions on the Stoney Plain reserve 60 kms west of Calgary. The reserve buried six of its young people in the past two months: one was murdered, one committed suicide, one died in hospital, and three others died in car accidents. Alcohol was a contributing factor in each instance. Six deaths in a community of 3,000 would be the equivalent of 924 dead youths in two months in a city the size of Vancouver. Moreover, the reserve is mired in allegations of financial mismanagement and political corruption.

Auditing the band council's books would be music to the ears of another Alberta reserve 85 kms south of Edmonton, near Hobbema. Several members of the Samson Band barricaded themselves inside council headquarters and demanded a federal investigation into the management of the band's funds.

Native groups have brought forward a similar message to the Canadian Taxpayers Federation. There is often great inequity in the dispersal of funds at the local level.

In his 1994 report, Desautels looked specifically at the issue of Social Assistance. The Department's spending in this area has increased faster than the rate of inflation and population growth for on-reserve Indians combined. And, dependency rates have increased despite the huge amounts of money being thrown at the problem.

This is largely due to the unaccountable way the money is being adminis-

Continued on page 20

tered. According to the Auditor, the Department of Indian Affairs has no formal objective to monitor and address the problem. Instead, the problem festers.

Funding agreements are supposed to ensure accountability by requiring Indian bands to submit annual audited financial statements. However, Desautels cautions, "The reports offer limited assurance to the Department that its responsibilities for delivering its social assistance services have been properly discharged."

The Auditor General says that the federal government has to take a more cost-effective approach to monitoring the social assistance activities in the Department of Indian and Northern Affairs.

The concerns, expressed by the Auditor General, show that the government needs to take a tighter rein on federal spending to ensure the public's money gets to where it is intended in the most efficient manner possible. ■

The issue of governance on Canada's Indian reserves

Photo: Saskatchewan Archives

There is a saying that "power corrupts, and absolute power corrupts absolutely." This could easily apply to certain leaders of native reserves across the country.

Governance seems to be a key issue on the reserves. In theory, the election of the chief and the council members should be very similar to the election of a mayor and town council in municipalities, where everyone over the age of 18 gets to participate in the democratic process. In practice, however, the democratic process has run amuck on a number of reserves.

Since the story of problems on the Stoney Indian Reserve broke, native groups from Alberta, Saskatchewan and Manitoba have contacted the CTF asking for help in exposing the abuse of Indian peoples and taxpayers dollars by a select few.

Several native groups have told us that on certain reserves the bands are controlled by the chief and a few council members who better resemble a dictatorship than a democratic council. These chiefs tend to pay themselves large salaries and reward their cronies accordingly. As a result, it is not uncommon to find the chief and certain council members living in large modern houses and driving new vehicles, while the average band members lives in squalor.

Moreover, because these chiefs control the purse-strings of the band, they are able to reward or penalize band members. Consequently, band members who call for fairness, equity, and accountability tend to have their funds withheld and are refused access to federal programs being administered by the band council.

The absolute power being exercised by these chiefs and council members has provided the opportunity for a few to benefit at the expense of many, with little in the way of accountability being demanded by the federal government. This has led to disappearing band funds, inappropriate business decisions, and the squandering of band funds on travel and recreation.

When a band member calls on the federal government to do something, a disturbing pattern takes place: the band member complains to the R.C.M.P. about the corruption, the police call Indian Affairs, Indian Affairs calls the chief, the chief says everything is okay, so Indian Affairs relays the message to the police, and the police drop the investigation. In other words, the federal government is taking the word of the very people being accused of wrong-doing. All of which leaves the average native wondering if the white man really cares about justice at all. ■

The Department of Indian Affairs

WHERE has all the money gone???

The Stoney Indian Reserve at Morley, Alberta is one of the richest reserves in Canada. It receives $32 million a year in federal government spending, including oil and gas royalties. The reserve is home to about 3,000 people, all of whom have their rent and utilities paid for out of the oil and gas royalties. Based on the funding this reserve receives, the lifestyle of its residents should be very prosperous, right? Wrong. Poverty, instead of wealth, seems to be the norm for most of the people living on the Stoney Indian Reserve.

Only 10% of the Stoney People have jobs. "It has the highest number of suicides, the highest number of children in care, and the highest number of prescription drug addicts of any reserve in Canada," says Judge Reilly, who recently ordered an investigation into the use of the reserve's funds.

Judge John Reilly wanted to investigate the use of funds on the reserve when a resident of the reserve, Ernest Hunter, pleaded guilty to beating his wife while drunk. The defendant stated that he was receiving help for his alcohol problem, but the program was stopped due to lack of funds.

In the 1970s, when the Stoney Indian Reserve only had a population of 1500 people, they were receiving oil and gas revenues as high as $60 million dollars. In fact, all of the residents of the Stoney Indian Reserve could potentially be millionaires with the amount of money they have received over the years. But instead they continue to live in poverty.

So where is all of the money going?

Judge Reilly took a bold step and pointed to the Band Chief—John Snow as the main reason why the Stoney People are living in poverty. In the Judge's twelve-page ruling, he did all but sentence Chief Snow, pointing to allegations of gross misappropriation of funds on the Chief's part.

Chief Snow has held the position of chief on the reserve for 25 years. Over his tenure, he has done little to improve the living conditions of the Stoney People, but he and his family seem to enjoy a luxurious life far above the standard of living of those he governs.

Judge Reilly stated that he had been told that Chief Snow and Council members do not hold their meetings on the Reserve. Instead, the Council meetings are held in hotels and vacation areas like Nevada and Arizona.

According to Reilly, this "misappropriation of funds by chiefs and council members is accepted practice on many reserves." However, not only is it an abuse of taxpayers' dollars, it is an outright abuse of the native people. Innocent victims have no one to go to for help. Reilly stated, "Some victims are infant children who don't have milk and clean diapers."

Needless to say, Chief Snow was outraged at Reilly's ruling, claiming it was "racist." But not all Indian Chiefs feel this way. Frank Powerderface, a former Chiniki Chief, said, "If the reserve has nothing to hide it should welcome an investigation." Initially, federal Indian Affairs Minister Jane Stewart stated that a public inquiry would only air the Band's "dirty laundry and be of no benefit." However, Ottawa has apparently changed its mind about sweeping the mess under the carpet. The feds recently announced that they have taken over the finances of the band and have even called for a forensic audit of its finances. ■

Is the money getting to those who really need it?

ABORIGINAL FUNDING

1996-97 (in millions of $)

Department of Indian Affairs & Northern Dev.	**$4,051.4**
Education	$1,120.6
Social Development	1,022.7
Schools, Infrastructure & Housing	933.6
Claims	370.2
Indian Government Support	316.2
Lands and Trust Services	80.1
Economic Development	53.0
Self-government	38.4
Other	116.6
Health	**1,024.4**
Indian & Northern Health Services	1,024.4
Canada Mortgage and Housing Corp.	**275.8**
Social Housing	275.8
Human Resources Development	**212.5**
Aboriginal Employment	212.5
Solicitor General	**51.4**
First Nations' Policing	51.4
Industry	**42.7**
Aboriginal Business Canada	42.7
Canadian Heritage	**33.1**
Transfer Payments to Aboriginal Groups	33.1
Fisheries and Oceans	**29.4**
Aboriginal Fisheries Strategy	29.4
Privy Council Office	**9.3**
Indian Specific Claims Commission	5.7
Tripartite Self-Government Negotiations	3.6
Natural Resources	**5.0**
Indian Lands and Forestry Program	5.0
Justice	**4.7**
Native Courtworkers Program	4.5
Legal Studies for Aboriginals	0.2
National Defence	**1.9**
Aboriginal Employment	1.9
Public Service Commission	**1.6**
Special Measures Initiatives Program	1.6
Federal total	**$5,743.2**

This does not include:

1. Federal expenditures on Northern programs . $72.8
2. Provincial spending on registered Indians . . $331.1

The most complete numbers available for provincial spending are 1994-95.

The *way* of Storno*way*

Preston Manning's flip flop on Stornoway, the official residence of the Leader of the Opposition, strikes at the very core of what's wrong with Canada's political system. Prior to the federal election, Manning had been a strong opponent of the perks of office and to his credit, he rejected his million dollar MP pension. Along with this, he said he would not live in Stornoway if his party was elected to that position. But when it finally happened, Manning, citing public pressure, changed his mind and moved in.

Built in 1914, the 34-room Ottawa mansion has no long-standing political significance in this country. For 36 years, it served as a private residence and during the war it was even rented to Princess Juliana of Holland when the Dutch Royal family fled to Canada. In 1950, the 9,500 sq. ft. building was purchased by a private group and funded by donations it was used as the residence for the Official Opposition. In 1970, the building was sold to the federal government for $1 and continued in its official function.

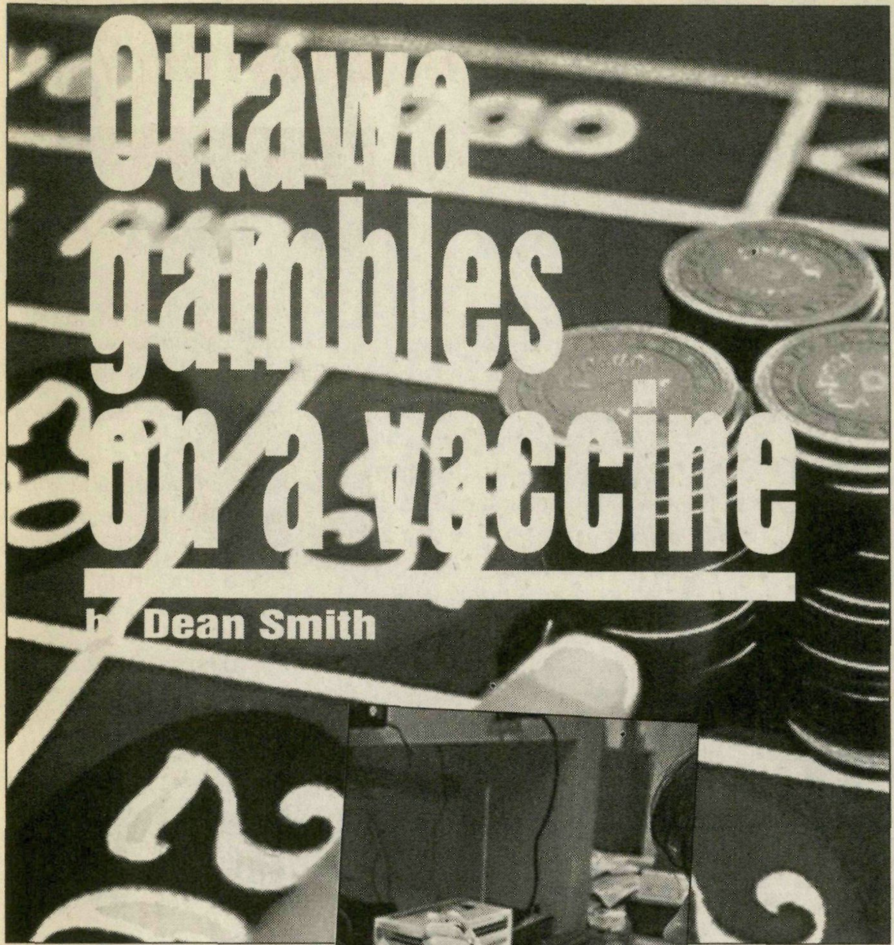
The building has sat empty since 1993, when then Bloc Quebecois Leader Lucien Bouchard refused to accept the mansion as his official residence. With an appraised value of over $2 million, Manning had recommended the building be sold and jokingly suggested it should be turned into a bingo hall.

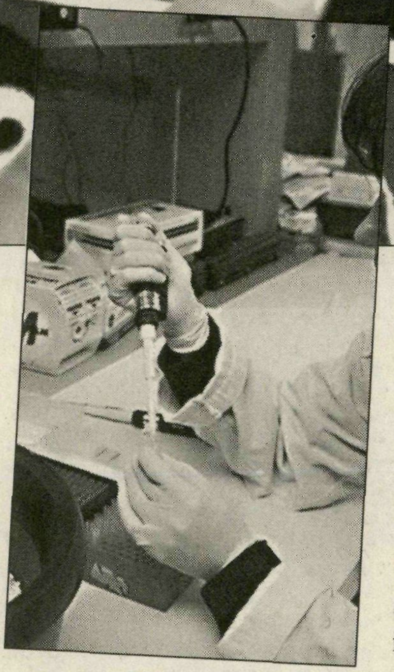
However, the real issue here is not Stornoway. It involves such concepts as "trust" and "accountability." It involves politicians promising one thing to get elected and then doing another. Under our system, we essentially elect a dictator for four or five years and in the process we hand politicians a huge public trust that this power won't be abused. When it does happen, Canadians are powerless to change it and this results in frustration, which leads to cynicism and finally apathy. In this last federal election only 67% of eligible Canadians even bothered to vote. Why bother? The politicians will simply do what they want anyway. It's a sign of a sick democracy.

Of course, it was Manning who made Stornoway an issue. Few really cared whether he moved in or not. But by breaking this promise, as small as it was, it revealed a crack in the veneer. Is the party starting to show some of the same characteristics as the Liberals who vowed to remove the GST? The party's supporters may be left wondering if the Reform's remaining promises will also go the way of Stornoway?■

Ottawa gambles on a vaccine

by Dean Smith





Gambling can be a powerful addiction. And governments have not only reaped the profits from this addiction, they have also felt the strength of its cold-handed grip. This past June, the government's gambling problem came to light yet again when Ottawa announced it would be risking 60 million of your tax dollars in a business partnership with a company known as Pasteur Merieux Connaught. The money will be used in a high risk crap shoot to try and develop a vaccine for cancer. It's not a business subsidy per se, it's an actual investment in the company. But from a taxpayers' perspective it's all the same.

The money has been provided through a government program called Technology Partnership Canada which invests money rather than give it away. According to the government propaganda, "The program represents an innovative approach to technology with real risk and reward sharing with the private sector."

The risks are high. But like every true gambler, the government was blinded by the potential rewards. Ottawa's announcement came with the usual blather promising new jobs, blah, blah, blah. The promise, however, was carefully couched in terms that the investment could create "up to" 300 new jobs. One job or even no jobs could fall into such a definition. This means jobs will show up to the degree the investment is successful. It's like buying a lottery ticket; it's all or nothing.

The release also states that the project has the potential to earn "up to" $10 billion in the first ten years and the government's investment will be paid back through a share of the royalties off these sales. No sales, no royalties.

It appears that Pasteur Merieux Connaught will invest some money as well - "up to" $350 million. No answers as to why the Paris-based multi-national would want to share the potential billion dollar rewards with anyone else.

On the other hand, the investment is better than the usual fare of business subsidies the government has been handing out lately. It's better than subsidizing pawn shops, video stores, restaurants, and tattoo parlors. Because if these businesses succeed, and they often don't, they usually do it at the expense of a another company where people had risked their own money. In the end no new jobs are created; they are simply transferred from one company to the next.

This subsidy, if it is successful, may well create new jobs particularly if the vaccine develops a market outside of Canada. But it's a turkey shoot. It's a high risk lottery and the question nobody seems to be asking is would the politicians and bureaucrats be investing in this venture if it was their own money that was at risk? ■

PRIVATIZATION
THE RIGHT WAY TO GO

by Dean Smith

According to an article in *Privatization International*, the benefits of privatization are becoming increasingly obvious as time goes by. And time, they say, is the true test of any idea.

This past year, the *Centre for Policy Studies* in England commissioned a series of studies on businesses that had been privatized in that country. In particular, it looked at Associated British Ports, British Airways, British Steel, British Telecom, regional electrical, and water and sewage companies. These companies were chosen because information is available to compare their performances before and after privatization.

The meticulously impartial study was so favourable that the Labour government used it to justify a windfall tax on the privatized utilities. The following is a brief overview of some of the NREA's conclusions:

- Between 1988 and 1996, the British government received on average over $19.5 billion (Cdn) a year from privatization, through

Continued on page 25

BRITISH GOVERNMENT £nstitutes privatization windfall tax

Nothing irritates politicians more than having someone expose their incompetence. When faced with this prospect they often resort to what they do best: PUNISH THEM WITH TAXES.

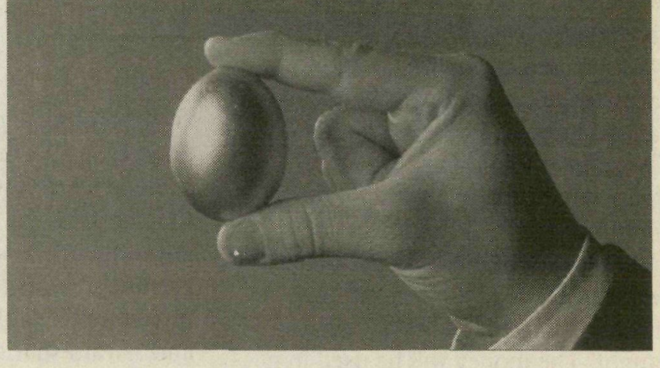
England's newly elected Labour government will soon be instituting a windfall tax on recently privatized corporations. Since they were privatized, these former money-losing government-owned monopolies have been transformed into highly profitable, efficient corporations. Many achieved this despite the fact they lowered their prices. This is particularly true of the gas and electrical utilities which modernized their equipment to keep their prices competitive since people were now able to buy services from the company offering the best price.

The new windfall tax will be based on how much the company's value has increased since it was privatized. Labour has argued that these companies were undervalued when they were sold. But the the stock-market value of a company is largely based on how much it makes in after-tax profits. It's not surprising that the value of these companies has jumped dramatically as they moved from being "chronic" money losers to becoming very profitable.

Most politicians find it difficult to understand that one's value could be based on such foreign concepts as profitability, competitiveness and efficiency.

The windfall tax is expected to raise approximately $12 billion (Cdn), and some of this money will be used for a work-for-welfare program. The tax is a grudging admission by the Labour government that privatization works since as government monopolies these businesses were not only heavily subsidized, but didn't pay any taxes either.■

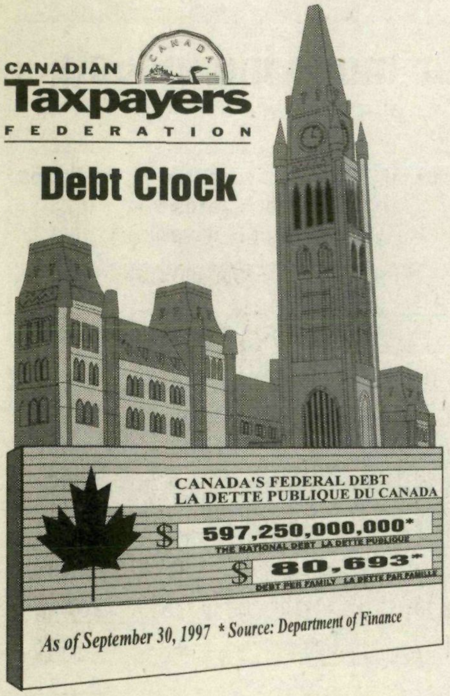
Privatization lays a golden egg for Great Britain.



corporate taxes (which they didn't pay as state-owned businesses), sale proceeds, and dividends. Over the past five years, the British government has earned on average $6.6 billion (Cdn) a year from just corporate taxes and dividends.

- When comparing the record of these companies between when they were state-owned and then privatized, the companies went from receiving yearly subsidies of approximately $690 million (Cdn) between 1980 to 1982, to generating revenues for government of over $173 billion (Cdn) between 1987 and 1995.
- Since privatization, these companies have become significantly more efficient. This has happened for a number of reasons, including the use of incentives to reward efficiency and technological advancement. But perhaps the biggest reason for this was competition. Once these companies were moved from their monopolistic government-subsidized positions of privilege to a competitive marketplace, they were immediately forced to pull up their socks.
- Consumers have benefited from lower prices. But not only have prices steadily fallen, quality has also gone up. Industrial gas prices fell by nearly 50%, domestic gas prices by 25%, electrical rates dropped between 2% and 2.5% and telecom and airport charges decreased by 40% and 10% respectively. Only one industry saw its prices go up and that was water. This was due to the need by these privatized water companies to invest a substantial amount of money in upgrading the quality of their water purification systems.

Governments around the world seem to be in a mad scramble for more tax dollars. However, in Canada we seemed to have missed the obvious - privatization. It not only reduces government spending without hurting services, it also increases government revenues.■



MASTERS of taxation

The University of Waterloo introduces the masters of taxation degree.

When Ottawa first introduced income tax in 1917 as a temporary measure to fight the war in 1917, it took all of 20 pages to detail how the tax was to be applied. By 1995, the rules had become so confusing and complicated that it now takes 2,364 pages to describe the same act.

So it should come as no surprise that the University of Waterloo (UW) has instituted a new Masters of Taxation degree in its Accountancy Department. According to Jim Barnett, a professor at the UW, the tax system in this country has become so complicated that only specialists can figure it out and the demand for such individuals is outstripping the supply.

"Our proposal responds to a call from business and industry for people who can advise them on how to decrease their tax burden and achieve their corporate goals," says Mr. Barnett.

The UW states that due to the high taxation rates on businesses and individuals in this country "most personal and business economic decisions are structured to minimize the tax liabilities."

It reflects Canada's sad state of affairs, where instead of concentrating on issues related to expansion and growth, businesses must increasingly focus on the issues of taxation. In fact, one of the courses, Taxation and Finance, will focus on analyzing the tax implications of potential financial decisions.

Other courses will focus on issues such as the goals of the federal government's taxation policies and the basic concepts of taxation. The 20 month course will receive no taxpayer subsidies and will cost individuals $24,000.■

GOOD NEWS:

Tax Freedom Day arrives earlier this year

The average Canadian family pays $27,131 a year in taxes.

What's the biggest bill in your household? Is it your mortgage or perhaps your car payment? Or are those unpaid bills from last Christmas still hanging over your head?

Few of us realize that the largest single bill a family will pay this year is the TAX BILL. According to a study by the Vancouver-based Fraser Institute, 49.3% of the income of the average Canadian family with two or more people goes just to pay the taxes to the various levels of government. This means that from January 1st to June 29th, Canadians are essentially working for the government, and on June 30th we finally start working for ourselves.

The only good news is that things are getting better. Last year, nationally, Tax Freedom Day fell on July 3. So instead of working 184 days for the government, we only work 181 days. In fact, this year represents the most significant drop in the national tax burden since Tax Freedom Day calculations were instituted. This decrease flies in the face of a rapidly increasing tax burden that Canadians have been struggling with over the past two decades.

To put this in terms we all can understand, in 1997 the average Canadian family with two or more individuals received an annual income of $55,069 and $27,131 of that went to taxes. Of that amount, 40% of this or $10,921 went to pay personal income taxes, $5,162 went to pay UI premiums, CPP etc. and $4,080 went to pay the various sales taxes. The remaining 25.6% of our tax burden included such things as import duties which cost this representative family $210 and gasoline taxes and related auto licence taxes set the family back $878.

Continued on page 27

Taxes paid by the average family with two or more individuals by province

Source: Fraser Institute

	Average cash Income by province	Income tax	Sales tax	Liquor, tobacco & excise taxes	Auto, license & fuel taxes	Social security, pension, etc. taxes	Property tax	Profits tax	Natural resource levies	Other taxes & duties	Total taxes
NF	$42,111	$6,187	$3,049	$1,490	$766	$2,725	$517	$604	$82	$681	$16,101
PE	55,761	8,119	4,249	1,830	926	3,588	723	979	19	515	20,949
NS	46,525	8,919	3,935	1,913	904	3,923	1,018	1,040	34	429	22,115
NB	46,544	7,864	3,718	1,671	946	3,458	1,485	1,458	133	464	21,197
PQ	49,334	9,324	3,674	1,376	803	5,275	1,583	1,349	65	473	23,921
ON	59,846	11,501	4,715	1,748	895	5,352	2,776	2,105	37	697	29,826
MB	54,184	9,967	3,890	2,123	800	3,981	1,769	1,384	68	1,669	25,650
SK	48,661	9,105	3,724	2,360	1,371	3,484	1,616	1,819	1,210	810	25,499
AB	58,039	11,683	1,884	2,351	771	5,151	1,291	1,235	1,318	1,168	26,852
BC	57,949	11,412	4,291	1,939	725	5,261	1,440	1,581	744	1,068	28,461
CDA	55,069	10,921	4,080	1,792	878	5,162	1,733	1,512	301	751	27,131

Provincial comparisons

On a provincial basis, the total tax burden ranged from a high of 52.4% in Saskatchewan to just 37.6% in PEI. Saskatchewan was the only province in the country that took over half the income of its residents in taxes. To show how far out on the limb Saskatchewan is in taxation, with a Tax Freedom Day of July 12 the province was a full 10 days ahead of its nearest competitor Ontario at July 2, and 41 days ahead of PEI.

The historical record

Despite the fact that the tax burden for six of the provinces actually dropped over last year, many Canadians have been stunned with skyrocketing taxes since 1990. Over the past seven years, only two provinces had their tax burden actually decrease. Newfoundland and PEI saw taxes go down by 1% and 8% respectively.

In stark contrast, Saskatchewan was hammered with a whopping 24% increase in their tax burden over this same period. This clearly refutes any claims that Roy Romanow has been a model of fiscal efficiency. Certainly he has balanced the budget and has brought the province from the edge of the fiscal precipitace, but he achieved this largely through higher taxes.

Over this same period, Nova Scotians were hit with an 18% increase, followed by New Brunswick at 11%. Even Albertans saw their taxes rise by a surprising 10%.

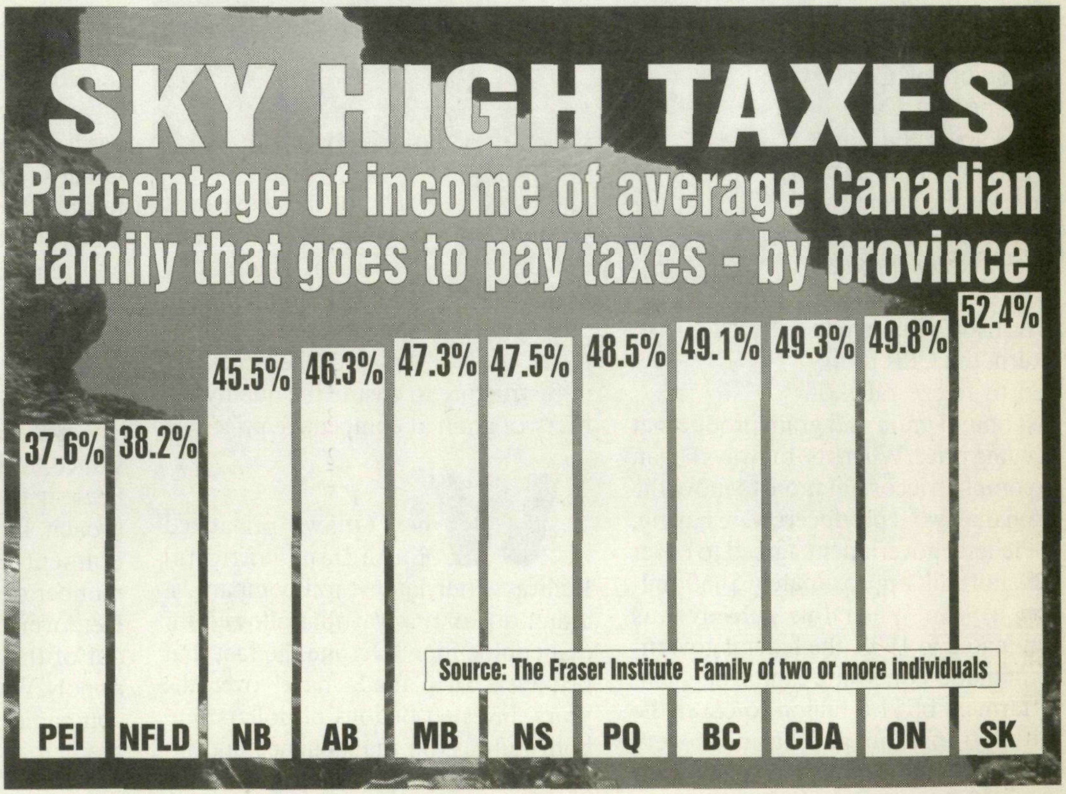
The cost of the deficits

Unfortunately, these Tax Freedom dates don't take into consideration the billions of dollars that governments borrow each year to pay for their excessive yearly deficits. In 1997, the federal government will be running a deficit and only half the provinces managed to balance their budgets, Nova Scotia, New Brunswick, Manitoba, Saskatchewan and Alberta. The remaining provinces are anticipating deficits totalling $8.8 billion in 1997-98, and Ottawa is estimating $17 billion. Fortunately, the provinces, while reluctant to balance their own budgets, have forbidden municipal governments from running deficits.

Since these yearly deficits and the accumulated interest payments will eventually have to be paid, the deficits simply represent deferred taxes that will be heaped on future taxpayers. When the deficits are included, the Tax Freedom Day for the average Canadian family jumps from June 30th to July 16th.

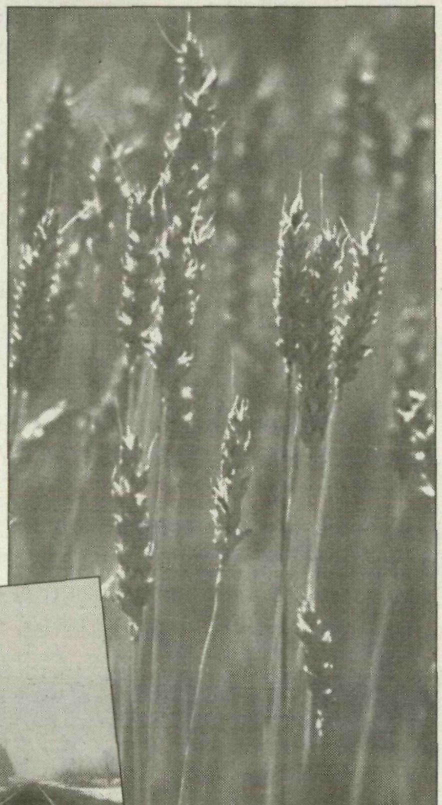
With deficits factored in, Ontario takes over first place with a Tax Freedom Day of July 23, Saskatchewan falls to second place, July 21, due largely to having balanced its budget, and Quebec takes over third place at July 12. ■

Saskatchewan - the highest taxed province in Canada.



Life after Crow

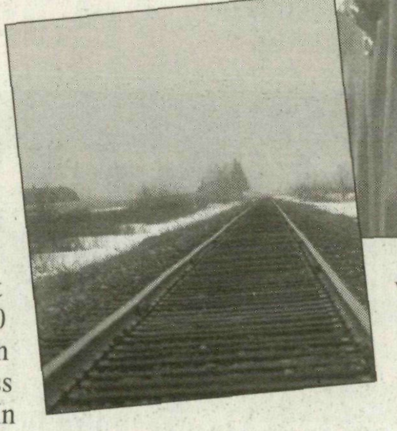
By V.J. Schmit



Recently announced initial grain prices are depressingly low, and coupled with increased grain transportation costs to farmers, many producers are left wondering if they will be able to cover their production costs for this crop year, much less post a profit.

What has happened to bring about this dismal picture?

To be fair, several factors have contributed to this problem. But one factor that can't be ignored is when the federal government eliminated the Crow benefit on August 1, 1995. The Crow's Nest Pass Agreement was arrived at between the Dominion of Canada and the Canadian Pacific Railway (CPR) in 1897 to give the CPR the money it needed to build 330 miles of track through the Crow's Nest Pass in British Columbia. In return, the CPR promised to freeze rates on east bound grain and grain products at a ceiling price. When the railways began to complain it cost far more to move the grain than what producers were paying, the federal government agreed to cover the shortfall, approximately $650 million a year. When this subsidy was eliminated in 1995, the federal government made a one-time capital payment to farmers of $1.6 billion to cover the initial transition and farmers were made directly responsible to the railways for the movement of grain.



But, in eliminating the subsidy Ottawa failed to provide farmers with the necessary infrastructure to ensure the quality delivery of grain at competitive prices.

When Ottawa privatized Canadian National Railways, our largest rail company, it didn't do so in a way that allowed for real competition. Despite the fact that taxpayers of Canada have, over the years, invested billions of dollars into both railways in maintenance and infrastructure, the lines are controlled by Canadian National Railway Co. (CN) and Canadian Pacific Ltd. (CP). While both privately owned, the railways operate in a virtual monopoly.

The problems inherent in the situation surfaced this past winter when rail companies "cherry picked" the more profitable commodities to haul, leaving farmers' grain to sit. This poor performance by the railways cost farmers a whopping $65 million in late loading (demurrage) charges not to mention lost sales and delivery opportunities. As well, $285 million in sales have been deferred into the next crop year because of unfilled obligations to world markets.

Why were farmers left in such an untenable situation?

When the system was changed, the government ignored opportunities to improve it. For example, some have touted a system of incentives and penalties that would insure an acceptable level of performance by the railways. Other suggestions have included transferring the ownership of the approximately 13,000 hopper cars to farmers and requiring an annual review of the railways performance.

They could have also looked at successes elsewhere. For instance, when Britain privatized its rail lines, it took an entirely different approach. First, it broke up the huge government-owned corporation into a number of different rail companies. In fact, over 75 different firms have come out of the one-time, state-owned monopoly. With plenty of competition, rail companies are forced to compete and

Continued on page 29

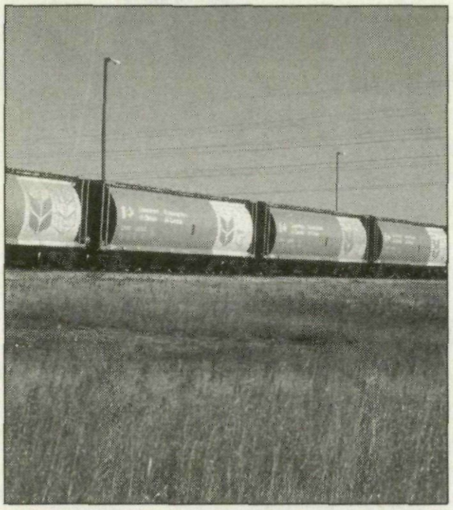
deliver all goods, not just to cherry pick the ones they want to deliver, as is currently the case in Canada.

The British government also required the private operators to provide a minimum level of service. Private operators were anything but intimidated by the requirements. The legislation in Canada does have a provision for penalties to be levied against the railways for not meeting their obligations to the farmers, but the government has chosen not to enforce it.

Finally, when Britain privatized the various companies, the rail lines and all the signal equipment were privatized as a separate company. Now, you have a company that can only make money when its lines are used. Consequently, it wants to keep as many open as possible and the more people using the lines, the better it is for them.

Contrast this with the Canadian example where we have two huge monopolies controlling Canada's rail business. Small elevators are closing, and with them go the branch lines that service them. While past legislation has limited the amount of branch lines that could be closed to 4% annually, the removal of government regulations means that CP is looking at withdrawing 4,400 miles of track across Canada within the next few years - 25 percent of their total. Despite the fact they are closing the lines, little incentive has been offered to encourage the introduction of short-line railways to fill the void. In fact, it has been said the monopoly railways can stand in the way of the process. For example, by not utilizing the lines prior to abandonment, many lines deteriorate to the point of not being worth a branch line actually setting up.

As the branch lines are abandoned, commercial trucking becomes the only available option



Why are farmers left out in the cold when it comes to grain transportation?

for farmers to get their grain to the main rail lines. Commercial trucking rates, according to Government of Saskatchewan documents, average $4.10 per tonne for a 25-kilometre haul which equals 11 cents per bushel, to $25 per tonne for a 480 kilometre haul, costing 68 cents per bushel. This has caused an increased load on the highways and municipal road infrastructure. Who should be held financially responsible for the increased maintenance and repairs this has brought about?

The bottom line is that the government has come up with a solution that has proven worse than the problem. It's time to head back to the drawing board.■

tax·pay·er ling·o

Grants:

This involves an unconditional transfer of funds to an individual, organization or business. There are no strings attached as to how the money will be spent, and the government will not audit the individual or group receiving the money to see how it was spent.

Contributions:

These are grants with conditions attached to them. The government gives the money to an individual or group for a specific purpose. Ottawa has the right to audit the company to ensure that the money was spent in accordance with the guidelines.

Repayable contributions:

These are grants that are given where all or part of the monies may have to be paid back. The federal government may require the company to hire a pre-specified number of new people as a result of the contribution. If the company fails to fully meet this condition, it will have to pay back part or all of the money. If it meets the target then it does not.

Loans:

Loans are provided to businesses or individuals, often at reduced interest rates and with substantial delays as to when the money has to start being paid back. Western Economic Diversification, for example, which loans money to businesses in Western Canada, does so at 0% interest with up to a five-year delay in repayments. Since Ottawa has to go out and borrow the money to provide these loans, the interest it pays is the equivalent of a grant to the business. One of the shortcomings of this process is that the individuals involved often put up little or no money, and with such little risk they find it easy to walk away from the project if it goes through difficult times.

Loan guarantees:

A loan guarantee is provided to a lending institution so that it will loan money to an individual or business. The government guarantees that if the business defaults on its payments, that loan will be paid off. Since the lending institutions have little or no financial risk, they tend to make little effort to recover any lost funds through the seizure of assets. The government has tried to make the lending companies share more of the risk by only guaranteeing a certain percentage of the loan. Unfortunately, this policy that has not been consistently applied. The government usually charges a fee to the business for providing the guarantee but it is not unheard of for the government to provide financial assistance to the business to help pay this guarantee fee.■

The B.C. MLA Pension Scam

by Troy Lanigan

After a long legislative session, our provincial legislators were anxious to head home for the summer. But they didn't forget to take care of one item before rushing out the door. They granted themselves nearly $20 million in new MLA pension benefits. And in so doing, they have disgraced themselves by breaking yet another campaign promise.

Prior to the last provincial election the NDP government introduced and passed legislation that abolished MLA pensions effective "the day of the next election." Stickhandled through the Legislature by former Finance Minister Elizabeth Cull, the legislation's intent was clear: ... *there's no carryover of the benefits. There is no way that anyone such as myself, who has not had the seven years or been re-elected twice before the return of the writ, can get any benefits under the old plan.*

That debate on pensions in 1995 carried on for hours, as politicians on both sides of the legislature scrambled for the moral high ground as they headed toward an expected election. Gordon Campbell and the BC Liberals even introduced a counter bill to abolish MLA pension benefits retroactive to the day before the 1991 provincial election.

But that was then and this is now.

It was a hot Monday afternoon when a seemingly innocuous piece of legislation — *Bill 51: The Miscellaneous Statutes Amendment Act* — was introduced in the legislature. Five sections of the bill dealt with MLA pensions.

It wasn't completely unexpected. Earlier in the year a citizens' panel examining MLA remuneration recommended establishing a dollar-for-dollar, self funding Group RRSP and that MLAs should be "entitled to transfer amounts ... in the now defunct MLA pension plan" to the new plan. Legislation was necessary to allow for this transition.

But *Bill 51* does not allow for this. Instead, it resurrects the so-called "defunct" pension plan and extends eligibility to all MLAs re-elected in 1996. Suddenly, 32 MLAs who had not served the requisite seven years or two parliaments prior to the May 1996 election are

Continued on page 31

now eligible to collect benefits under the old plan. Their collective estimated lifetime benefit: $16.6 million.

Moreover, pension benefits will be calculated on the basis of salaries and allowances ***at the time a MLA leaves the legislature***. Given recent salary and allowance increases, this means that entitlements have been hiked by at least 35% for 10 MLAs who were already eligible for benefits prior to *Bill 51*. Their estimated $9 million in lifetime benefits jumped to $12.2 million —including Premier "he's on our side" Clark, whose estimated lifetime benefits goes from $1.3 million to $1.7 million.

Outrageous?

Certainly not to those who stood to benefit. Apparently both sides of the legislature quietly agreed to the changes behind closed doors before *Bill 51* was introduced.

The Liberals were quickly embarrassed into changing their position when they were reminded of the pledges they signed during the election campaign to "wipe out pensions for MLAs."

But despite the public embarrassment, none of the Liberal MLAs stood up to speak against the changes. None called for a vote in the legislature. In a mere 25 minutes, $20 million in new pension benefits were granted to 42 MLAs. The same 42 MLAs who campaigned in the May 1996 provincial election on the fact they had voted down the gold-plated pension plan.

An argument is frequently made that generous pensions, like the kind MLAs and MPs have enjoyed for years, are necessary to attract quality candidates to public office. Well guess what? IT ISN'T WORKING!

In fact, the public cynicism generated by this last dip in the pension trough is precisely what dissuades "quality candidates" from running for office. People are embarrassed to seek an office that is held in such ill repute by the public. And frankly, given this about-face on pensions, it's little wonder.■

National Communications Director Troy Lanigan (right) and Federal Director Walter Robinson at a July news conference in Prince George announcing the CTF would serve as a support organization for citizens interest ed in using British Columbia's recall law.

Do you RECALL the last election?

On July 29, 1997, the British Columbia Division of the Canadian Taxpayers Federation announced at a news conference in Prince George that it will serve as a support organization for citizens interested in using the province's recall law to take back the current government's mandate.

Shortly after the May 1996 election, voters in British Columbia learned that the mandate given to Glen Clark and his government was grounded in deception. Dozens of calls to our office last fall prompted the CTF to survey its 11,000 supporters in the province to gauge support for use of the province's recall law as a means to take back the government's mandate. Eighty percent of those responding gave the CTF a green light.

The CTF announced a toll-free number 1-888-BOOT-OUT to raise funds and build a list of people interested in using the province's recall law. The toll-free number will be used to gauge the breadth of support across the province so that the CTF can direct its resources into a handful of constituencies based on local support, willingness to work with the CTF, and winability. The CTF will also limit its involvement to MLAs re-elected in 1996 who were there at the time the budget lies were conceived.

At this stage the CTF has announced support for campaigns emerging in Prince George North (Education Minister Paul Ramsey) and Skeena (Helmut Geisbrecht).

The emerging recall campaign in Skeena prompted the following comment from the target MLA Helmut Geisbrecht, as quoted in the *Terrace Times*: "They want to launch a recall campaign because they claim that somebody lied about a budget prior to the election, if anybody did, I didn't. I'm not in the inner circle...why don't they go after a cabinet minister or the Premier."■

MLAs eligible for pension benefits courtesy of Bill 51*

Estimated MLA Pension Benefits at May 28, 2000

Member	Age at May 28, 2000	Years of service under old pension plan	Age benefit began	Estimated first year pension benefit $	Annual estimated benefits at age 75 $	Total estimated benefits to age 75 $
Val Anderson	71	4.67	71	$18,423	$20,131	$77,076
Gretchen Brewin	53	4.67	53	18,423	34,272	562,584
Gordon Campbell	52	2.34	54	13,794	24,914	395,572
Ed Conroy	53	4.67	53	18,423	34,272	562,584
Jeremy Dalton	57	4.67	57	18,423	30,451	431,368
Mike Dejong	37	2.34	54	9,231	16,673	264,721
Ujjal Dosanjh	52	4.67	52	20,373	39,037	661,167
Jim Doyle	56	4.67	56	18,423	31,364	462,732
Corky Evans	51	4.67	51	19,242	37,976	662,439
Mike Farnworth	40	4.67	51	18,423	36,360	634,244
Gary Farrel-Collins	36	4.67	51	19,323	38,136	665,228
Helmut Giesbrecht	57	4.67	57	18,423	30,451	431,368
Fred Gingell	69	4.67	69	19,398	22,488	125,475
Sue Hammell	54	4.67	54	19,886	35,916	570,251
Bill Hartley	54	4.67	54	18,423	33,274	528,311
Dan Jarvis	64	4.67	64	18,423	24,759	235,960
Rick Kasper	47	4.67	51	18,423	36,360	634,244
Harry Lali	44	4.67	51	18,423	36,360	634,244
Joy MacPhail	47	4.67	51	23,786	46,943	818,856
Richard Newfeld	55	4.67	55	18,423	32,305	495,037
Andrew Petter	46	4.67	51	27,530	54,332	947,749
Penny Priddy	56	4.67	56	27,530	46,867	691,459
Paul Ramsey	55	4.67	55	23,786	41,708	639,129
Fred Randall	69	4.67	69	18,423	21,357	119,168
Linda Reid	40	4.67	51	18,423	36,360	634,244
Joan Sawicki	53	4.67	53	18,423	34,272	562,584
Lynn Stephens	58	4.67	58	18,423	29,564	400,917
Dennis Streifel	54	4.67	54	19,067	34,436	546,765
Douglas Symons	67	4.67	67	18,423	22,658	163,825
John Van Dongen	54	1.13	54	4,458	8,051	127,835
Gordon Wilson	51	4.67	51	21,056	41,555	724,872
David Zimhelt	52	6.75	52	35,735	68,472	1,159,712
Average	53	4.48	56	19,293	33,815	517,866
Total				$617,387	$1,082,077	$16,571,718

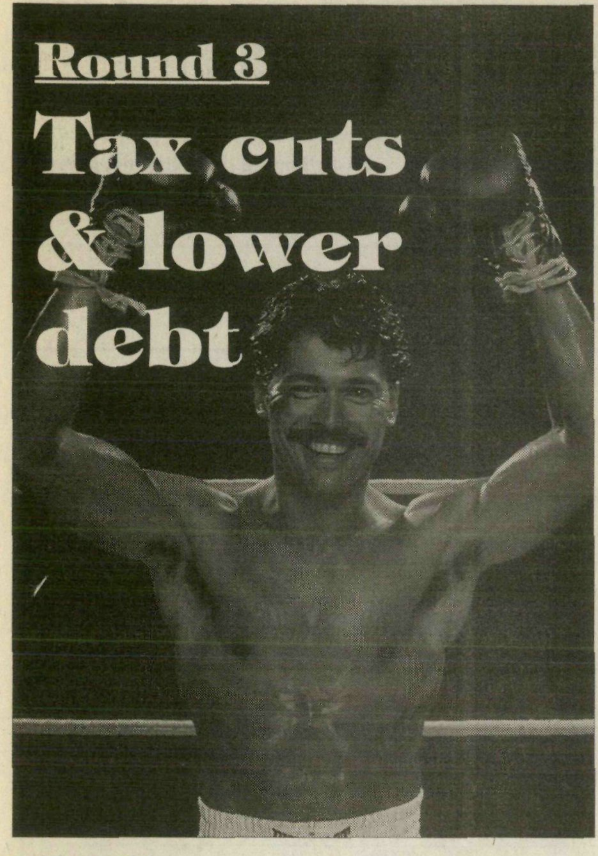
* Bill 51 allows 32 MLAs who had not served the requisite seven years or two parliaments prior to the May 1996 election to now be eligible to collect pension benefits under the old plan.

MLA Pension Benefit Increases courtesy of Bill 51*

Estimated MLA Pension Benefits at May 28, 2000

Member	Age at May 28, 2000	Years of Service under old pension plan	Age benefit begins	Est. first year pension benefits $	Estimated benefits at age 75 $	Total estimated benefits to age 75 $
Boone, Hon. Lois (1)	53	9.75	53	$30,136	$56,062	$920,265
With new salary (2)				41,681	77,539	1,272,811
Benefit increase				11,545	21,477	352,546
Cashore, Hon. John	65	9.75	65	36,181	47,208	414,778
With new salary				47,726	62,272	547,128
Benefit increase				11,545	15,064	132,350
Clark, Hon. Glen	42	9.75	51	37,093	73,207	1,276,991
With new salary				49,094	96,892	1,690,142
Benefit increase				12,001	23,658	413,151
Janssen, Gerrard	54	7.65	54	21,121	38,147	605,673
With new salary				30,179	54,507	865,435
Benefit increase				9,058	16,360	259,762
Lovick, Hon. Dale	56	9.75	56	29,784	50,705	748,075
With new salary				41,329	70,359	1,038,049
Benefit increase				11,545	19,655	289,974
Miller, Hon. Dan	55	9.75	55	36,181	63,444	972,204
With new salary				47,726	83,688	1,282,422
Benefit increase				11,545	20,244	310,218
Pullinger, Jan	52	9.75	52	26,919	51,579	873,592
With new salary				38,464	73,701	1,248,260
Benefit increase				11,545	22,121	374,668
Sihota, Moe	45	9.75	51	33,695	66,500	1,160,001
With new salary				46,849	92,460	1,612,837
Benefit increase				13,154	25,960	452,836
Smallwood, Hon. Joan	50	9.75	50	36,181	73,549	1,319,143
With new salary				47,726	97,018	1,740,064
Benefit increase				11,545	23,469	420,921
Weisgerber, Jack	59	9.75	59	37,478	58,390	755,440
With new salary				49,023	76,376	988,151
Benefit increase				11,545	17,987	232,711
Old salary average		9.54	54.6	32,477	57,879	904,616
New salary average				43,980	78,481	1,228,530
Average Increase				11,503	20,602	323,914
Old salary total				324,770	578,791	9,046,161
New salary total				439,798	784,812	12,285,298
Total increase:				**$115,028**	**$206,021**	**$3,239,137**

* The following 10 MLAs were eligible to collect benefits under the MLA Pension Plan prior to Bill 51. Pension benefits will be calculated on the basis of salaries and allowances at the time an MLA leaves the legislature. Given recent salary and allowance increases, this means their entitlements have been increased by an estimated 35 percent. (1) Estimated pension benefits based on salaries and allowance payable at the time the pension plan was first abolished. (2) Estimated pension benefits based on new increased salaries and allowances.



By Mark Milke

After years of pummeling politicians to stop spending like drunken sailors, supporters of the Canadian Taxpayers Federation can give themselves a well-deserved pat on the back. And then we can all get back in the ring for rounds two and three over debt reduction and tax cuts.

Thanks to three years of surpluses, Alberta's net debt is forecast to decline to $2.8 billion by March of 1988. (However, the province's unmatured debt stands at $14.9 billion, costing Albertans $900 million this year in interest payments.)

Dwarfing this debt is Ottawa's behemoth. Ottawa's 27-year overspending spree has given Canadians a $600-billion debt. And while many economists think Ottawa might finally balance its books by the 1997-98 fiscal year, the feds will still add $12 billion to the debt in 1996-97 according to Jeff Rubin, economist at CIBC Wood Gundy Inc.

The current Alberta surpluses and the prospective Ottawa ones means round two - the punching match over debt reduction - is now underway. Many federal Liberals are already looking at where this future "surplus" money should be "reinvested." In political doublespeak, "reinvestment" is a code word for cranking up the spending machine. But the notion that politicians will have pools full of money to wallow in and throw at new spending is mistaken. Canadians will pay $45 billion in interest on the $600-billion debt this year. Money that could have gone to either program spending or lower taxes.

With Ottawa ready to balance its books, surpluses are hardly a reason to go on another spending binge. Ottawa's future surpluses should go towards reducing the debt, and, just as important - tax cuts.

That brings us to round three, and unlike a boxing match, the fight for tax cuts must occur at the same time as the fight for debt reduction. Some would argue that the respective debts should be paid down first before tax cuts can even be considered. This view overlooks three important points.

First, Tax Freedom Day, the day after which Canadians start working for themselves instead of governments, was June 29th this year. That compares to June 8th in 1974 and May 3rd in 1961. Canadians certainly have a right to more than just 50% of their income.

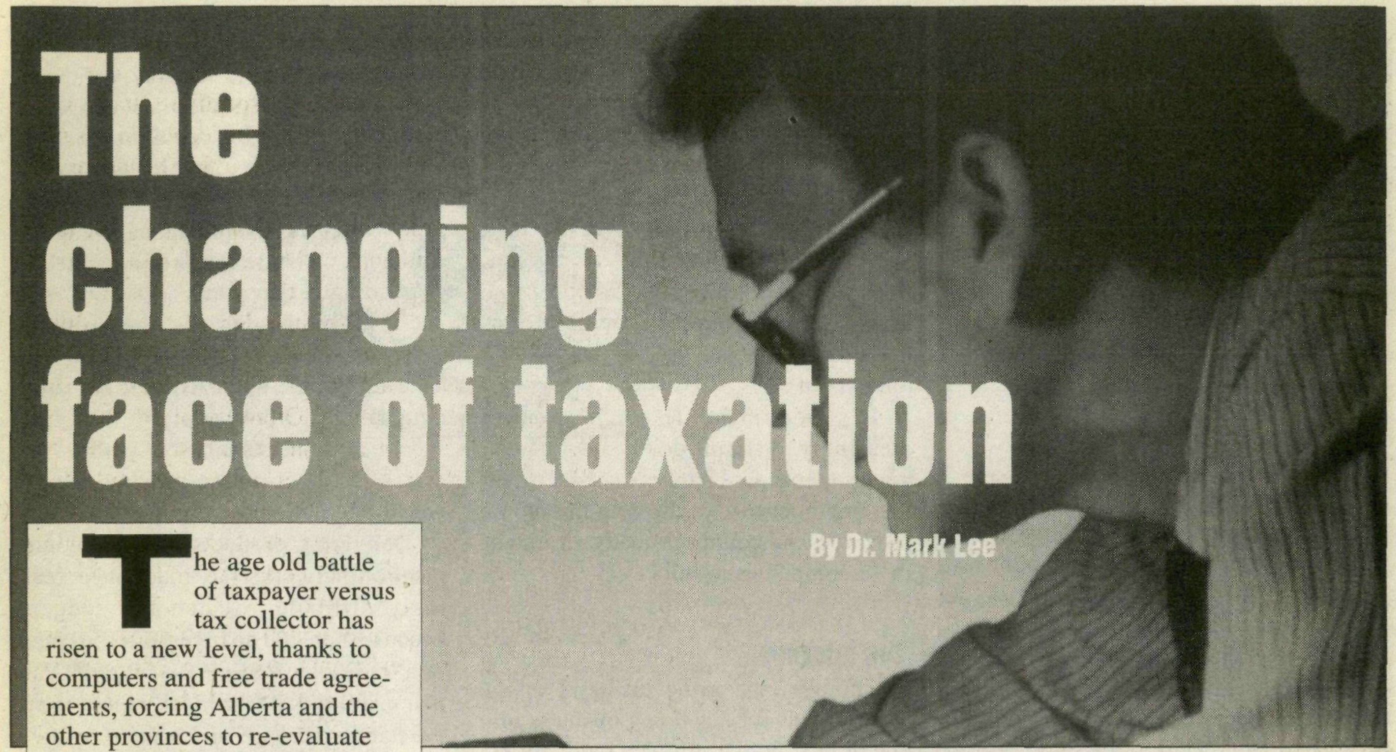
Second, tax cuts are stimulative. Under President J. F. Kennedy, tax reductions in the 1960s helped ignite one of the longest economic expansions in US history. Simply put, tax cuts increase the size of the economic pie. Without tax cuts, Canadians run the risk of facing another recession with punishingly high tax rates and high personal and government debts to boot. That would put us back to fighting yearly deficits - back in round one. The long-term economic health of the country depends on Canadians' ability to pay down their personal debt, as well keeping more of their own money for spending and investing. That will only come from tax cuts. And a growing economy will allow governments to pay down their debts from surpluses, surpluses produced in part from the increased economic activity spun off from tax cuts.

The one snag in all of this is the proposed Canada Pension Plan increases. If Jean Chretien, Paul Martin, and Ralph Klein have their way, CPP premiums will rise from 5.85 per cent in 1997 to 9.9% of your paycheque in just six years. That translates into a $690 tax hike for a middle income earner, $1,380 if they are self-employed.

Tax cuts are not only necessary to restore to Canadians what is rightfully theirs and to promote solid economic growth - they will soon be necessary just to keep taxpayers at par with what they pay to governments in 1997.■

Alberta Treasury Branches report a loss

At a time when every bank in Canada is reporting record profits, the Alberta Treasury Branches revealed that they lost $124 million for the fiscal year ending March 31,1997. This brings their total accumulated deficit to almost $152 million. While claiming that this is a "one-time course correction" to make up for past mistakes, some suggest this is further proof that governments should keep their noses out of business. Inevitably political decisions are made instead of economic ones and the results are obvious.■



The changing face of taxation

By Dr. Mark Lee

The age old battle of taxpayer versus tax collector has risen to a new level, thanks to computers and free trade agreements, forcing Alberta and the other provinces to re-evaluate their taxation strategies, in order to keep their tax base.

Contributing to the grief of tax people around the world is electronic commerce, free-flowing capital, foot-loose corporations, tax-haven jurisdictions, and the Internet.

Electronic Commerce

Electronic commerce allows both companies and individuals to shift money from one bank to another on the other side of the world, in a millisecond. In less than an hour, it is possible to shift money through so many banks and offshore accounts, that it would take months to unravel the transactions. If the tax folks ever do unravel the flow of funds, they then must determine where the original transaction took place for taxation purposes; easier said than done.

Free-flowing Capital

Free-flowing capital is another issue which is complicating the taxman's life. A Canadian corporation's common shares are often owned by individuals, mutual funds, and pension funds anywhere in the world. Moreover, this same company may have issued bonds which could have been purchased by a bank in Japan, a life insurance company in Calgary, and a pension fund in Germany. All of these transactions are further complicated because of the differing tax laws of each nation involved. For example, if the shares in the Canadian company were to increase dramatically in price, the tax levied on the capital gain by selling those shares could vary dramatically from one country to the next. Moreover, the problem of tracking down the capital gains made in foreign countries is complicated by the broad range of electronic commerce.

This free-flow of capital across international boundaries has an additional wrinkle. Corporations, involved in a number of countries, are able to avoid paying taxes in high-tax jurisdictions by a little trick called "transfer pricing." Car manufacturers, for example, often have various components of a car built in different nations (i.e. the engines are built in Michigan, the electronics in Brazil, the frames in Tennessee, and it is assembled in Ontario). If the taxation levels are lower in Brazil and Michigan the company can bump up the prices of components built there, increasing their profit in the lower tax jurisdiction. In the process of increasing the costs of these components, they reduce the profit margin at the assembly plant in Ontario, thereby reducing the taxes paid in that province. By manipulating pricing in this way, the company can maximize its after-tax profits.

Needless to say, tax avoidance has taken on a whole new meaning.

Foot-loose Corporations

In the past, many corporations were inseparably tied to their native countries. General Motors was as American as apple pie, and Mercedes was as German as apple strudel. Today most corporations owe their sole allegiance to their shareholders, not to a particular country. As

Continued on page 36

a result, these companies focus on increasing shareholder wealth, which minimizes their tax burden.

Now companies can easily shift their operations from one part of the world to another so they can flee countries where taxes are high. These companies are able to exploit the tax differences between countries, where jurisdictions outbid one another to have these companies locate in their area, bringing with them highly coveted jobs for its citizens.

Tax-haven Jurisdictions

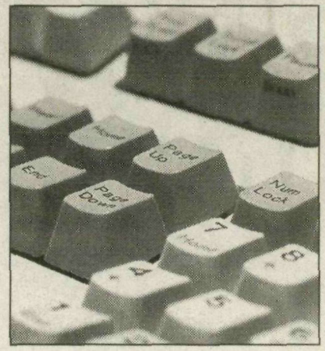
This freedom of movement has made it difficult for one country to tax businesses more heavily than other countries because of the fear of job losses. As a result, corporate tax rates have declined steadily over the past 10 years around the world. For example, Sweden's corporate tax rate declined from 52% in 1986 to 25% in 1995. During the same period US rates dropped from 46% to 35%.

In order to make up for these shortfalls, many governments have shifted their taxation focus to the workers themselves. Personal income taxes are becoming the primary source of revenues for governments in the industrialized world. In Europe, average corporate tax rates dropped from 50% in 1980 to 35% in 1994, while the average tax rate on wages rose from 35% to 41%.

These changes in corporate tax rates have had an impact on the structure of taxation for many companies. Before World War II about one-third of the U.S.'s tax revenues came from corporations; today it's only about 12%.

It's becoming increasingly difficult for governments to change this trend because of the long line-up of provinces or countries ready to entice these companies to relocate.

Taxes can now be avoided with the touch of a key.



The Internet

Though the same tax laws apply whether someone is doing business online or in a more traditional retail outlet, electronic commerce is far more complicated, because the Internet has no single location. As a result, it is difficult to determine which province or state has tax jurisdiction over a given transaction.

Perhaps *The Economist* describes it best: Suppose a customer in California downloads software bought from a firm in Seattle. Using the Internet, the company transmits from a computer in Texas. Which state should tax the profit? Or say a German consumer buys a software package from a local subsidiary of an American firm. If she goes into a local computer store the profit is taxed in Germany. But if she downloads the software over the Internet, the lower American rates would apply.

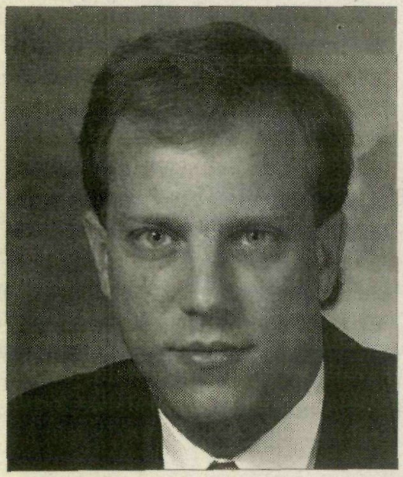
Confused yet? Welcome to the wonderful world of electronic commerce!

Delivering products via telecommunication networks has made it increasingly difficult to catch tax dodgers, because there are no inventories to check in a traditional sense. Because the data is transmitted electronically there is not the standard cross check on a company's tax return by comparing the purchases of inputs with the claimed outputs. So, for example, if the company sold a computer program on floppy disks, Revenue Canada could verify its sales figures by looking at the number of blank disks that were purchased. However, if the same computer program is sold electronically via the Internet, there would be no corroborating evidence. Moreover, if the funds are sent electronically to an offshore bank, it is extremely difficult to prove whether a sale was even made.

While on-line sales remain relatively small at present, it is estimated that in 30 years time about 30% of all consumer activity could take place on-line. Needless to say, a fair amount of tax revenues could be in jeopardy due to the difficulty in tracking these electronic transactions.

At the heart of these economic changes is a need to revamp the taxation system here in Alberta, and in Canada, to better meet this new reality. Unless our governments, at all levels, begin to address these issues proactively these sweeping economic changes will come back to haunt us, as we lose our tax base to other jurisdictions.■

Federation appoints new Provincial Director in Alberta



The Canadian Taxpayers Federation is pleased to announce the appointment of Mark Milke as Provincial Director of the Canadian Taxpayers Federation - Alberta Division. Mark comes to the Federation with a strong communications and research background. We are looking forward to his contribution to the taxpayers' movement.

ROBBING KLEIN TO PAY AL

by Mitch Gray

It'll be a rough ride for anyone proposing a sales tax in Alberta.

Anyone who's ever lived, worked, or, for that matter, set foot in Alberta, knows that the mere mention of introducing a provincial sales tax is strictly taboo. Albertans wear their "no-sales-tax-here" badges of honour on their sleeves. The absence of a sales tax is a mark of the province's "distinct society."

So why is it that Calgary Mayor Al Duerr would take his political life in his hands and blurt out that Albertans should warm to the idea of a new tax on goods and services? Has he gone mad? Did he get kicked in the head by a wild bronco at the Stampede? Has he been talking to Brian Mulroney and Jean Chretien?

None of the above.

No, the real reason is money. Revenue that is. Duerr doesn't really care what *kinds* of taxes the province imposes on its citizens. All he's really interested in is getting a bigger share of the pie.

Duerr points out, quite correctly, that Albertans already pay sales taxes in the form of gas and hotel taxes. That's O.K. with the cowtown boss. What he laments, however, is that the province's municipalities only see about 10% of the revenue from those taxes. Duerr wants more.

The Mayor's proposal is to apply a broad-based sales tax that, and this is the important part, would be more evenly distributed between provincial and municipal coffers. In his dream scenario, Calgary's head honcho sees a sales tax covering the entire cost of such expenses as his city's municipal transit system.

So there you have it. The introduction of a sales tax, at least from Duerr's perspective has nothing to do with creating a more efficient tax system. It would simply be a method of redirecting more tax dollars away from the province and toward municipal governments.

The end result of such a proposal, if it were to be revenue neutral as Duerr suggests, would be reduced spending on items like health care and increased spending on things like sewers. Is that what the Mayor thinks Albertans want?

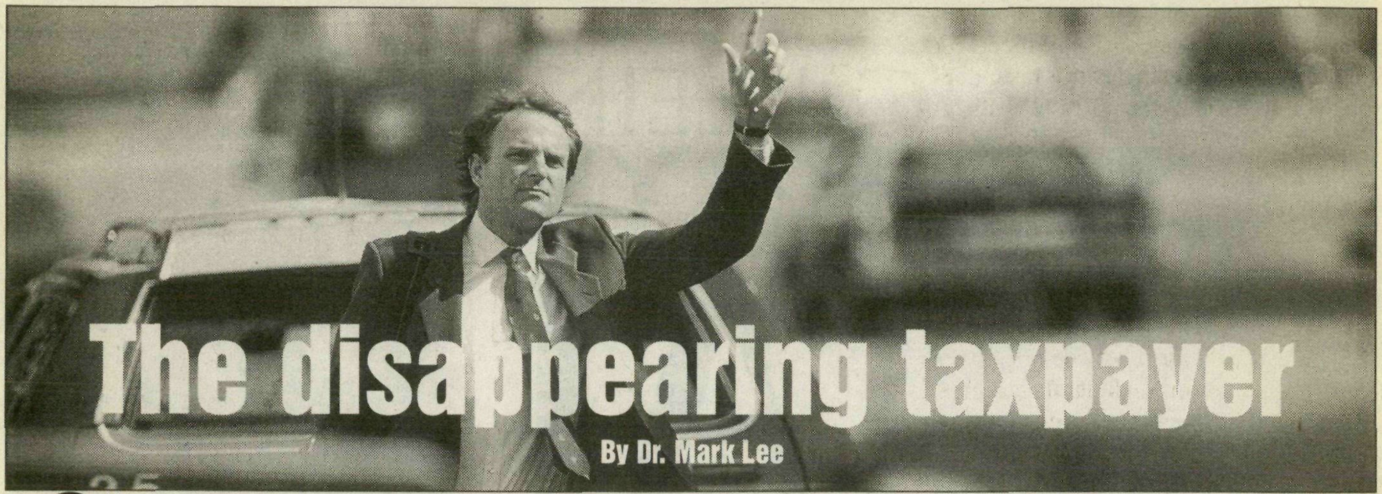
Of course, if Duerr wants to keep provincial program spending constant and pay for municipal goodies via a sales tax, an overall *tax increase* would be required. Maybe that's what the Mayor thinks Albertans want.

Now all this is not to say that sales taxes in themselves are inherently bad. In many ways sales taxes have a lot going for them over, say, income taxes. Sales taxes, for example, tax consumption, keeping inflation down, and encouraging savings and investment. Income taxes, on the other hand, penalize people for working hard, and discourage economic development.

So there may be some good reasons for debating the pros and cons of reforming Alberta's tax system. Funnelling more tax dollars into Calgary, however, is not one of them.

If Al Duerr wants to tear a little piece of Albertans' identity away from them, he's going to have to do more than make a power play for provincial revenues. It's not just a matter of money — it's a matter of pride.■

SASKATCHEWAN



The disappearing taxpayer

By Dr. Mark Lee

Since Biblical times, the job of being a tax collector has never endeared one to their fellow citizens. This has taken on a whole new meaning in post-communist Russia where *The Economist* recently reported that last year 26 tax collectors were killed; 74 injured; 6 kidnapped; and 41 had their homes burned down.

In most places, people are finding it easier to escape paying taxes, rather than resorting to such extreme means. They simply move from high-tax countries to low-tax ones.

This has become an issue for a number of companies who have tried to recruit and retain highly skilled employees. This past May, for example, several large Swedish companies said they were considering moving out of the country because of high taxes.

These companies were finding it almost impossible to recruit skilled employees because of the country's high personal income tax rates. Sweden's top marginal rate of income tax is almost 60%, and kicks in on income over $28,000(US) per year. In contrast, the U.S.'s top marginal rate of 40% only impacts incomes over $260,000. As a result, Sweden has been losing its top managers, engineers, and scientists to more taxpayer-friendly environments.

Lest we think this is just an European problem, the Fraser Institute reported that the tax burden for an average family of four in Saskatchewan is 53.8% of income. This is 3.9% higher than the national average, and 5.5% and 6.3% higher than our neighbouring provinces of Manitoba and Alberta respectively. Moreover, a family of four in both Manitoba and Alberta have higher incomes.

This helps explain the migration of skilled labour from Saskatchewan to Alberta in particular. It also explains why some Saskatchewan firms find it difficult to attract skilled labour. It's bad enough to endure Saskatchewan's winters without losing half one's income to the various forms of taxation. Perhaps of greater concern is that losing these skilled individuals will have a significant long-term impact on the competitive position of the province.

Governments at all levels must commit to finding the most efficient and effective ways to deliver the most important public services. Higher taxes are no longer an option.■

From the "I told you so department"

By Dean Smith

The Saskatchewan government has just come to the startling realization that it can actually increase tax revenues by decreasing tax rates. This past June, the provincial government announced it would be giving PanCanadian Petroleum Ltd., a Calgary-based oil company, a reduction in its oil royalties and a provincial sales tax exemption.

The company can now move ahead with plans to use a new carbon dioxide technology to extract previously inaccessible oil from the Weyburn oil field. In the process, it will invest between $1.1 billion and $1.7 billion in this particular project.

Now some suggest that this is little more than a thinly disguised business subsidy. Not so. In the first place, this tax reduction costs taxpayers absolutely nothing. There will be no grants, loans or loan guarantees given to the project.

Even Premier Romanow admitted that without the tax cut "the 122 million barrels of incremental oil that it will produce would have remained in the ground and none of the additional jobs or wealth would be created."

In fact, over the life of the project the provincial government will earn

Continued on page 39

over $585 million in royalties and taxes it otherwise would never have received. Secondly, it is expected that this tax reduction will result in over 1200 new direct jobs and many more spin off jobs.

The province has the highest taxed oil industry in Canada, making much of the province's reportedly huge oil deposits economically unfeasible unless oil prices are very high.

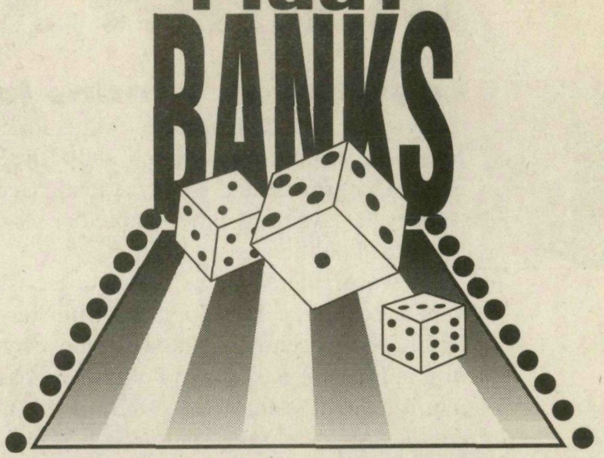
Over the years, Saskatchewan has lurched back and forth between right and left wing governments. Under the Liberals and Conservatives, the governments would traditionally lower royalty rates and then under the NDP the rates would be jacked right back up. As a result, oil companies were hesitant about making long-term investments in this province. Would you make a $1.1 billion investment if you knew in just a few years it could all be put at risk? In fact, the Weyburn project, which will start construction next year, will not be fully operational for three years.

The economic future of this province lies in the hands of the NDP, not the Liberals or the Conservatives. The NDP are the only ones that in the long run can set a positive economic tone and turn the future of this province around.

This province has the resource potential to show one of the most remarkable economic recoveries in Canadian history. If Romanow continues to play his cards right, it's possible that Saskatchewan could challenge Alberta for the position of Canada's economic leader. ■

By lowering its oil royalty rates, the provincial government increased its tax revenues.

Politicians' PIGGY BANKS



By V. J. Schmit

They are cryptically referred to as "politicians' piggy banks" and you'll find them propped along the walls of hotels across the province.

While the technical term is Video Lottery Terminal (VLT), the provincial government has found them to be profitable cash cows.

Last year, the government managed to put $127 million in gambling profits into general revenues. Over the past three years, they have brought riches of more than $300 million to the provincial government - more than all our natural resource royalties combined. That doesn't include the taxes hoteliers pay to the province on their share.

It is little wonder then that the government is reluctant to part with the control they presently have. At the annual meeting of the Hotels Association of Saskatchewan a resolution was presented asking the province to return 30% of the money taken out of communities back to the cities, towns and villages from where the money comes. The government's flippant response is that they already do via health care, education and highways.

Excuse me? Since VLTs were introduced in 1994, the NDP government has continued to close hospitals across the province, schools continue to close their doors, and people far outside our borders complain about the condition of Saskatchewan highways. The political rhetoric might fool the faithful, but those living in rural communities can see through the smoke and mirrors.

However difficult a pill it is for those opposed to gambling to swallow, VLTs are here to stay. It doesn't work to have governments legislate to protect people from themselves. But should the government be profiteering from such activities?

While it has received little attention, there is a viable option to the current arrangement - privatization of the VLTs. The machines could be sold to partnerships of hoteliers, communities and non-profit groups. The provincial government could tax them as businesses to recoup some of their lost revenue, while at the same time decreasing generalized grants to communities.

The communities would benefit by having greater control of projects within their borders. After all, the closer to home any project is, the more accountable it will be. Currently, there is little accountability when it comes to the herd of VLT cash cows. ■

In Brief . . .

Less taxes = more jobs

For years, the CTF has been calling for tax cuts, based on many studies which show they cause economic growth and job creation. Generally, these calls have been either ignored or scorned by provincial politicians.

However, there may be some hope. Saskatchewan's Economic Development Minister Janice MacKinnon recently admitted that the record level of employment Saskatchewan had this past summer is a direct result of the government's move to cut the provincial sales tax to 7% in March. There were 491,800 people working in Saskatchewan in June - up some 16,600 from June 1996. This is the most people that have worked in the province in any month in the past 21 years.

According to the Fraser Institute, a primary reason for Saskatchewan's lack of economic growth is high taxes. Even with the recent cut in the PST, Saskatchewan residents continue to pay some of the highest taxes in Canada.

SaskTel is at it again!

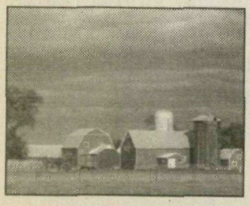
Fresh on the heels of a $16-million loss on the US-based NST Network Services Inc., SaskTel decided to invest up to $63 million in a New Zealand business. The Crown has acquired 35% of Saturn Communications Ltd. for an initial investment of $34 million in 1997-98, and another $29 million in 1998-99 if debt financing is not found. SaskTel is putting up almost half of the funding for the project, and receives only a 35% stake.

In addition, Saturn Communications lost $138.8 million (US) last year, and $91.3 million (US) in 1995. That swishing sound you hear may be more of your tax dollars being flushed down the toilet.

Province bails out STC

The provincial government's cure for its perennial money loser, STC, may be worse than the disease. The Crown Investment Corporation (CIC) has been directed to wipe out STC's $24.8 million accumulated debt, and the government will provide an annual operating grant of $8 million to help subsidize its operations. Considering that STC lost $6.2 million last year, the $8 million is hardly an incentive for improved efficiencies. In fact, it will probably have the exact opposite effect.

Obviously, calls for the privatization of STC have again fallen on deaf ears. Instead, provincial taxpayers will be stuck with subsidizing this loser for years to come.



Taxpayers feeling intimidated by SAMA

Over these past several months, we have received numerous calls and letters from taxpayers across the province expressing their outrage after receiving their new property assessments.

Those who have gone through the appeal process with the Saskatchewan Assessment Management Agency (SAMA) said they felt intimidated, bullied, and looked down upon. When people have asked how the market adjustment factor or assessed values were arrived at, these officials have either refused to answer or asked for $150.00 to provide the information.

There have also been numerous incidents when SAMA officials, unable to explain or justify their assessments, have fallen back on the old trick of shoveling the manure high and wide. If you can't explain something quickly and precisely, you probably don't know what you are talking about.

Given the treatment of many of the taxpaying public to date it is apparent that the concepts of fairness and due process have escaped the thought patterns of the SAMA officials. ■

If you are frustrated with the assessment process, write your MLA, Premier Romanow, his colleagues, and leaders of the opposition. Make it clear to these politicians that if they don't fix this ridiculous process, you will hold them accountable at the next election.

Rural Saskatchewan paying the price of reassessment

By V.J. Schmit

Rural Saskatchewan could be forced to pay an additional $30 million in taxes this year when property reassessment is coupled with a decline in provincial revenue sharing grants.

Initially, the Saskatchewan Association of Rural Municipalities (SARM) had estimated reassessment would result in an additional $14 million in property taxes being shifted onto farmland. This corresponded with other types of properties having their taxes reduced. However, SARM Executive Director Ken Engle now estimates the hit could be as high as $25 million.

Coupled with an $8-million reduction in revenue-sharing grants to rural municipalities, it will mean a significant increase in the taxes paid by rural Saskatchewan.

While urban municipalities have been given some flexibility to manage the tax shifts, rural governments have greater difficulty absorbing the impact. For example, in the Rural Municipality of Cut Knife, No. 439, the average farm is made up of eight quarter sections of land. A farm family, deriving all its income off the farm, last year paid $2,800 in the education component of the property tax alone. By comparison, a dual-income family in the town of Cut Knife, living in an average home, paid approximately $700 in the educational component of their tax bill. Remember that adding in property taxes will effectively double the tax bill. Next year, following reassessment, the farm family will see their education tax bill increase to $3,600, while the family in town will see its education tax bill decrease to $536.

Further fuelling concern is that properties will be facing another assessment in the year 2000, and land prices may have increased significantly by then. Some suggest that farmland could be hit with up to a 75% increase in property taxes, over and above what they are presently faced with.

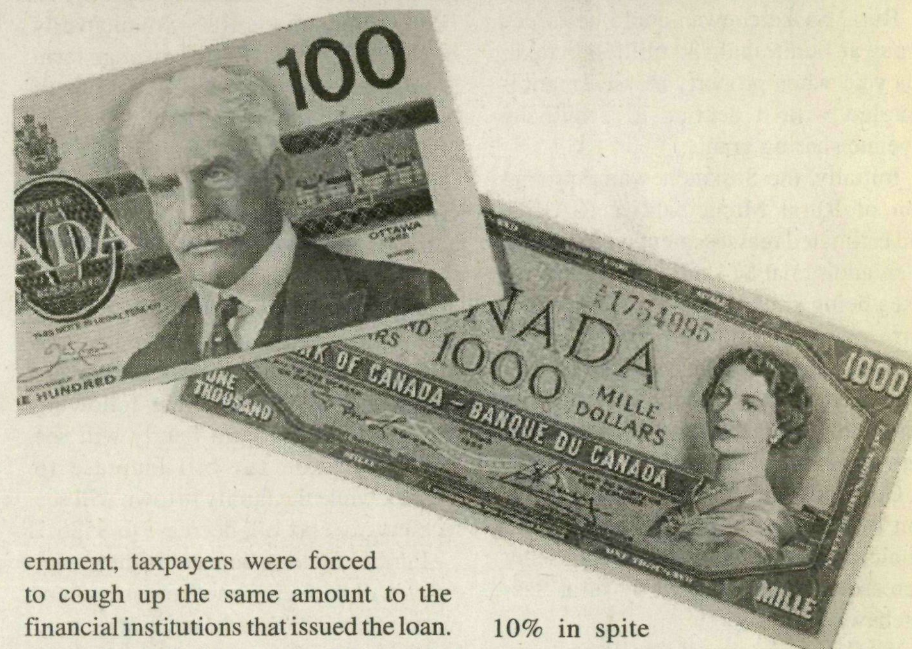
In addition, the taxes paid on farm land has no relation to the level of one's income. The question then is what is fair about one family's education tax bill being seven times higher than another family's that lives and supports the school in the same jurisdiction?

SARM has a number of proposals on the table to deal with the shift in the tax burden onto farms. Their primary objective is to have the education tax removed from property. However, they have also suggested other options including a modified education tax on residences, or an education tax discount or tax rebate.

The outcome of property reassessment is uncertain. What is certain, though, is the present shift is unsustainable. The provincial government must act to prevent a continued erosion of the rural economy as a result of its tax policies.■

Will the government be taking more money off the land through property taxes than farmers by farming?

Corporate welfare kills jobs



By Victor Vrsnik

Free enterprise, once the Holy Grail of rugged entrepreneurs and unrepentant capitalists, has lost confidence with the faithful. Steadily, many leading CEOs and small businessmen are abandoning the invisible hand of the free market for the generous handouts supplied by government.

To credit the private sector, not all Canadian companies are feeding from the public trough. Eaton's decision to stay open in downtown Winnipeg collapsed a proposal that would have extended a $4.5 million taxpayer handout from the Province and the City of Winnipeg to a developer who was prepared to partially subsidize Eaton's operations.

To be fair, subsidies are often a matter of economic survival. For example, if a mining company rejects a subsidy, competitors who cash in on the exploration grants could gain an unfair advantage. But it's not always this complicated.

Recently, Cash 'N' Dash Inc. was handed $82,620 by the federal government through the Small Business Loans Act for equipment purchases. Meanwhile, they defaulted on 91% of the loan. Since the money was guaranteed by government, taxpayers were forced to cough up the same amount to the financial institutions that issued the loan. Over the past five years, Ottawa has coughed up over $258 million under this program. This story plays out like a broken record.

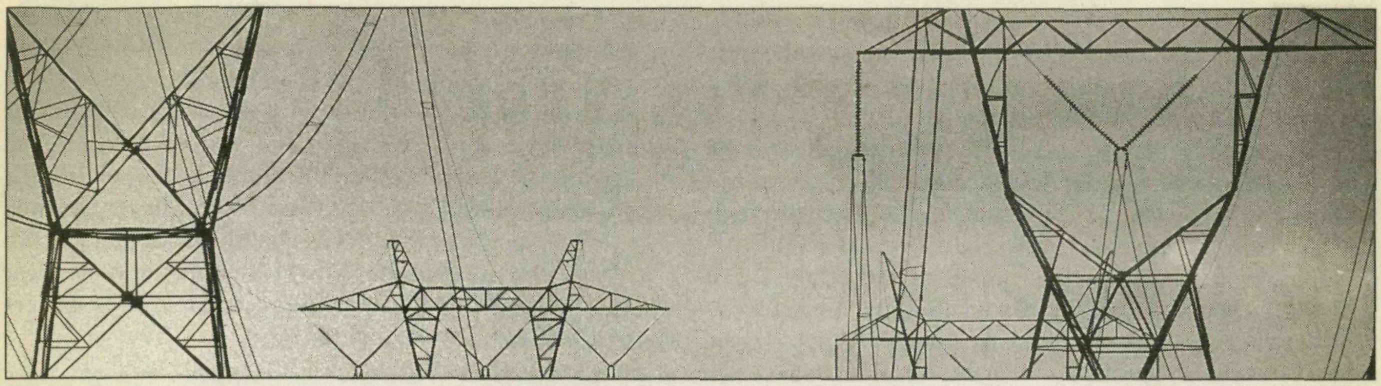
This isn't the first time the government has idly stood by and watched as millions of taxpayer dollars designed to prop up business go down the drain instead.

Canada's Auditor General Denis Desautels sounded a warning in his November 1995 report. He found that regional development agencies like the Western Economic Diversification (WED) have been dismal failures. He said their claims of job creation are highly misleading, inflated and rarely verifiable.

Between 1989 and 1996, Ottawa funneled nearly $30 billion to the Industry department and various agencies whose primary mandate is to help business and foster job creation. WED was one of those agencies. It received $1.9 billion. Over this period, the unemployment rate in Canada climbed from 7.5% to over 10% in spite of the piles of government money spent on pie-in-the-sky job creation schemes.

Government assumes it knows better than the marketplace on how to allocate resources. By punishing businesses with senseless taxation designed to subsidize competing businesses, government hampers economic investment and natural job creation. Transferring wealth from one company to another by way of taxes, and funneling that money through bureaucracy, rewards some businesses and government at the expense of the wealth producers. The inefficiencies in this cycle jeopardize existing jobs and kills future jobs.

Government should immediately scrap business subsidies and return the money to consumers. Write to Paul Martin, Minister of Finance, and tell him to cut business subsidies and then cut taxes. Tell him tax relief is the best business subsidy money can buy.■



HYDRO PROFIT$

A tax by any other name

By Victor Vrsnik

Crafty governments are finding it easier to pinch taxpayers' pockets. Instead of levying only visible taxes, politicians have come up with shiftier ways to bite into your income. Winnipeg Hydro is a case in point.

The utility was formed to protect consumers from price-gouging, and "to provide electricity at the lowest possible cost." But meddling from politicians has done just the opposite. Government-mandated rate parity structures and hidden taxes have left Winnipeg Hydro customers with an energy bill at least 16% higher than need be.

This year, City Council will squeeze $14 million out of Winnipeg Hydro's profits and transfer the money to the City's General Revenue Fund to subsidize failing utilities like Transit and Solid Waste Disposal. Over the past 10 years alone, Council pillaged Hydro for $144 million, or approximately 98% of its profits. The utility has morphed into a tax collector in disguise, charging consumers millions more than it needs to defray other City expenses.

If this year's profit wasn't collected, customers would see a 12% decrease in their electricity bill. No fault to Winnipeg Hydro; they are obliged by law to net the surplus.

In 1973, the City and the Province approved a deal between Manitoba Hydro and Winnipeg Hydro to equalize power rates for customers residing within city limits. By contract, Winnipeg Hydro must post the same rates as Manitoba Hydro even if they are artificially high. Residential electricity bills have risen 2.8% this year and are projected to climb 2.3% next year.

Winnipeg Hydro's mantra of delivering the lowest possible rates has been compromised by other hidden costs. Every year, the utility pays almost $5 million to the Province in "water rental charges" for harnessing provincial water resources. The hidden tax represents an extra 4% charge passed onto Winnipeg Hydro customers.

If government was truly committed to providing the lowest possible electricity costs, the Province would rebate or forgo the water rental charge, and the City would return Hydro's $14-million surplus by way of a rebate or a 3% property tax cut.

The cost of looting Hydro's profits has left the utility with about $24 million in equity, or 19% of the $122-million gross debt. An acceptable debt-to-equity ratio for a private utility would be about 40 to 50% equity. Anything short of that is considered a financial risk. Still, the utility hopes to retire the debt by 2015.

By that time, the City will need to borrow approximately $500 million to bring its generating stations up to standard. To borrow that kind of money would throw the City back into the stone ages of debt financing. The City is already saddled with a $1-billion net debt with service charges of $116 million in 1996 alone.

But without a significant capital injection, the utility will crumble, let alone keep pace with sweeping techno-

Continued on page 44

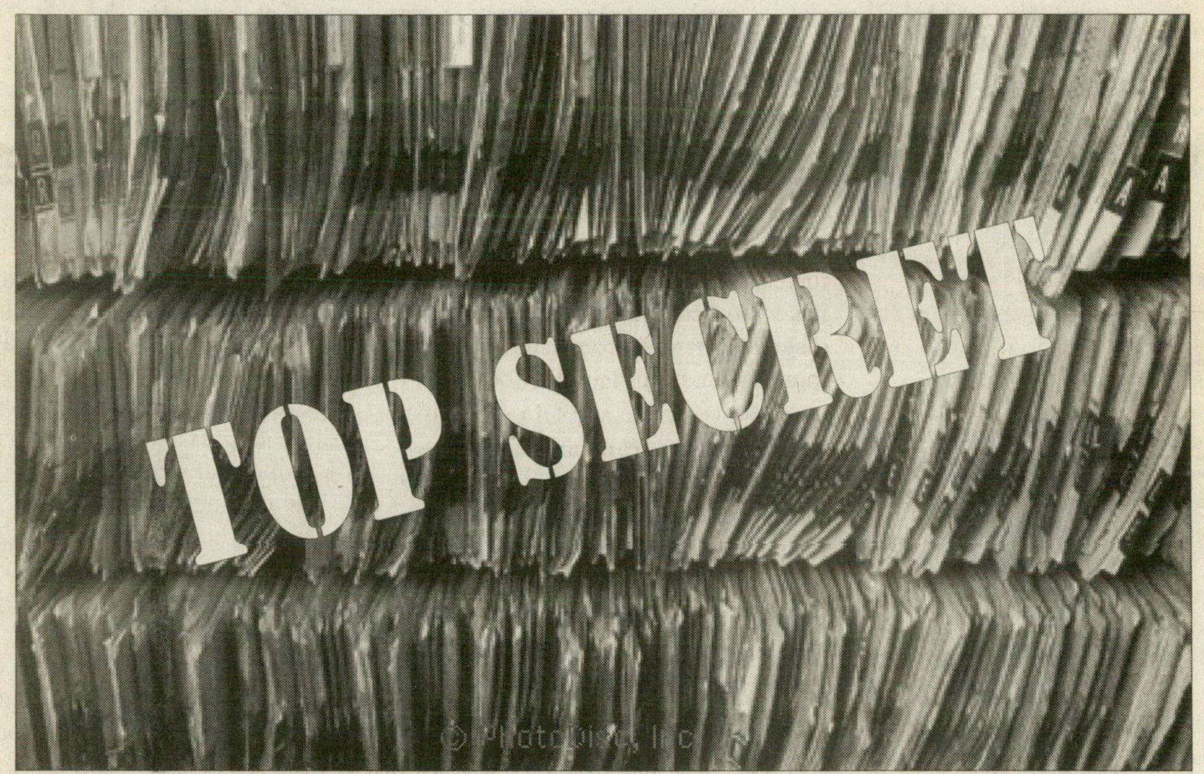
logical changes and potential competitors in the near future. A privatized Winnipeg Hydro owned by shareholders would be able to generate the capital to upgrade aging facilities, and invest in new technologies.

The sale of the utility would also restore fairness to the tax system. Unlike publicly-owned utilities, a privatized Hydro would pay corporate income taxes, thereby expanding the tax base.

Speculation on the market value of the utility has it pegged at around $1 billion. By banking the money away and drawing on the interest, the City could lower its reliance on property taxes. Alternatively, it could hasten retirement of the municipal debt. The MTS sale alone drummed-up about $400 million for provincial debt retirement.

Government's appetite for more revenue has short-circuited Hydro's ability to deliver low electricity costs. The utility has strayed from its mythical role becoming instead a revenue generator for the City and the Province. The time has come to put Winnipeg Hydro on the auction block.

The sale would allow the utility to restructure itself, clear its debt, eliminate political meddling, and relieve taxpayers from future upgrade obligations.■



THE MANITOBA GOVERNMENT DENIES ACCESS-TO-INFORMATION

Manitoba's new freedom of information law (Bill 50) is pushing Manitoba into the dark ages of information access. Despite recent amendments, the government's changes to freedom of information will make Manitoba's "FOI" law among the worst in the land.

Freedom of information (FOI) laws are the bricks and mortar of government accountability. Often, the CTF uses freedom of information laws to access and publish long lists

Continued on page 45

WE'VE MOVED

The Manitoba Taxpayers Association
has moved to:
308 - 267 Edmonton St.,
Winnipeg, Man.,
R3C 1S2

Phone: 1-800-772-9955 or
(204) 982-2150
Fax: (204) 982-2154

E-mail: taxpayer@mb.sympatico.ca

of government grants and wasteful expenses. Without good FOI laws, secrets are easily kept from citizens who have a right to know.

That's why the Manitoba Taxpayers Association, journalists, civil rights groups, librarians and other advocacy groups joined together to attack Bill 50. Across Canada, governments are making public information more accessible. BC's new legislation is considered "state of the art." Alberta held a year's worth of public, open-hearing consultations before amending their FOI law.

Bill 50 extends FOI to school boards and other public bodies, but it also makes key government documents difficult or impossible to access. For instance, Bill 50 allows the government to deny information that is even tenuously connected to Cabinet discussions, to withhold environmental assessments, and even to deny access to reports by consultants hired by government.

If taxpayer dollars are spent on consulting, then information gathered by the consultants isn't the government's information. It's the taxpayers' information. So why is the Manitoba government trying to block citizen access to information? The government claims that changes to FOI are all designed to protect privacy. But the government is merely disguising information restrictions as privacy protection. No one has yet explained how withholding policy papers or information from consultants protects privacy.

To give readers an idea of how the government manipulates exemptions, just look at Bill 50 itself. A government notice from 1996 promised "all submissions will be available" from the Bill's consultation process. So, the Manitoba Library Association made an FOI request to see over 20 secret submissions by bureaucrats. The government refused to provide them because they could be considered "advice to cabinet."

After lobbying by the MTA and other groups, Culture Minister Rosemary Vodrey made some last-minute remedies to some of the outrages in Bill 50. Responding to specific requests by the groups, she cleaned up vague wording allowing bureaucrats to deny access for undefined reasons. Minutes and agendas will remain accessible thanks to Ms. Vodrey's changes. But while some changes reduce the bureaucracy's power to make arbitrary exemptions, the government still retains a host of new exemptions that are, in the words of one Liberal staffer, "Mack Truck" exemptions — big enough to drive a Mack Truck through.

The historical contrast is interesting. Howard Pawley's NDP government introduced FOI laws designed to give Manitobans more access to provincial government information. The Conservative government has passed changes designed to leave Manitobans with less access to provincial information, ignoring specific NDP proposals which could have improved the law with no harm to Manitobans. Taxpayers who are disturbed by this change should contact the Hon. Premier Gary Filmon at Room 204, 450 Broadway, Winnipeg, Man., R3C 0V8. Meanwhile, the MTA will help "test" the new legislation and prove its faults after it is proclaimed later this year. ■

TaxFax on the web

TaxFax can now be seen on line at www.aroundmanitoba.com. *Around Manitoba* is the premier Internet site for up-to-date local information.

Victor Vrsnik appointed as the new Provincial Director of the Manitoba Association

The Board of Directors of the Canadian Taxpayers Federation is pleased to announce the appointment of Victor Vrsnik as the new Provincial Director of the Manitoba Taxpayers Association (MTA). He will be replacing Brian Kelcey, who will assume responsibilities as the Provincial Director of the Canadian Taxpayers Federation - Ontario Branch. Victor previously served as a research associate for the MTA.

Ontario government tax guzzlers

Sunoco 57.3 cents per litre of gasoline.
Pioneer 62.9. Esso, 59.9.

By V. J. Schmit

On September 4th, the CTF found a wide range of gas prices at the pumps. But the noises coming out of Toronto would lead one to believe the oil companies, in a form of mass collusion, have been gouging Ontario motorists while pocketing huge profits. At least that's what Premier Harris seemed to say in a recent statement.

Driving the highways and byways tells a slightly different story.

To begin with, if the companies were engaged in monopolistic gasoline pricing, it is highly unlikely there would be the broad range of prices currently shown at the pumps. But, more importantly, while the Premier has suddenly become the champion of motorists, protecting them against big oil companies, he failed to acknowledge that governments are the biggest price gougers around when it comes to the sale of gasoline.

For example, in May of 1997, the Canadian Petroleum Foundation surveyed prices across the country. At that time, in Ontario, a litre of fuel was selling for 58.8 cents per litre. Of that, the estimated cost of the crude was 19.3 cents, refining and marketing came in at 8.2 cents and the retail margin for the service station was a mere 2.7 cents a litre.

So, where did the rest of it go? Taxes. Direct taxes that is. The federal government took 13.9 cents while the provincial government's cut was 14.7 cents. Total tax bite: 48.8 percent.

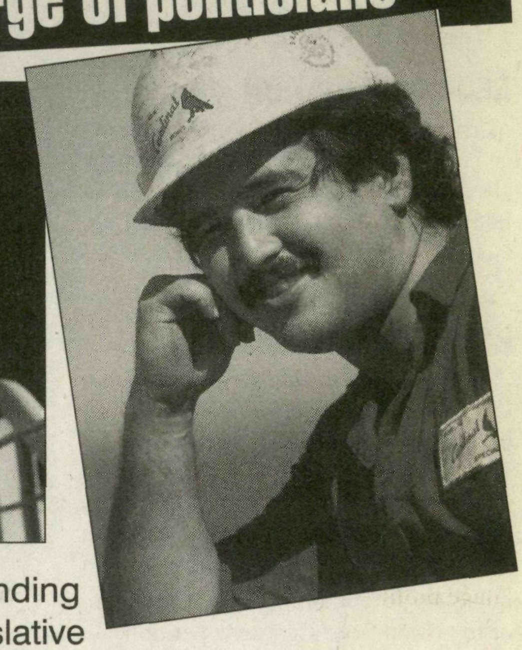
Direct taxes account for approximately half the price of every litre of gasoline sold in the country. That doesn't take into account the indirect taxes such as business fees, property taxes, income taxes and payroll taxes that oil companies and service stations must pay.

It's clear that government is a more profitable business to be in than gas sales. From 1983 to 1993, the return on capital in the petroleum products industry was 3.4 percent. That's substantially lower than the return for other Canadian manufacturing industries or even bank interest rates.

Granted, the provincial government is cutting income taxes, which will probably do much more to create jobs and stimulate the economy than would cuts to gas taxes. But that doesn't excuse the government from attacking oil companies for the high price of gas while ignoring the impact of hidden gas taxes.

Don't let Mike Harris fool you into thinking his government isn't responsible for the high price of gas. If governments want to keep gas prices affordable, they should look at cleaning up their own backyard.■

Putting Ontarians back in charge of politicians



In May of 1997, the Standing Committee on the Legislative Assembly released a final report on the matter of referenda within the Province of Ontario. Listed below are some of the Committee's recommendations.

RECOMMENDATION #1

The Government of Ontario should introduce legislation authorizing the holding of provincial referenda. Such referenda should be permissible on any topic within the jurisdiction of the Province of Ontario, but should occur within the legislative framework set forth in the recommendations which follow. The topic of the referendum must be a measure which requires the passage of a bill (with the exception of a constitutional referendum, where implementation would require the passage of a constitutional resolution).

RECOMMENDATION #2

The Legislative Assembly should have the discretion to order the holding of a referendum on any matter of public concern.

RECOMMENDATION #3

The government should not introduce in the Legislative Assembly an amendment to the Constitution of Canada, unless a referendum has first been conducted with respect to the subject matter of that amendment, and approval of the voters has been obtained.

RECOMMENDATION #4

The government should not introduce in the Legislative Assembly a bill that imposes a new tax, unless a referendum has first been conducted with respect to the imposition of the tax in question, and approval of the voters has been obtained. An exception to this referendum requirement should apply in the case of revenue neutral changes in taxation.

RECOMMENDATION #5:

Statutory authority should be provided for the holding of citizen-initiated referenda, whereby citizens by petition may require that a referendum be conducted on any matter within the jurisdiction of the Legislature.

RECOMMENDATION #6

An application for the issuance of an initiative petition should be made to the Office of the Chief Election Officer of Ontario (Elections Ontario). The application procedure should require a declaration that the applicant is eligible to vote in a referendum in Ontario.

RECOMMENDATION #7:

An initiative petition must be signed by at least 10% of the

Continued on page 48

eligible voters in the province in order for the initiative to be put on a referendum ballot.

RECOMMENDATION #8:

There should be a maximum period of 180 days to gather the signatures on a petition from the date of its issuance, and to submit it to the Legislative Assembly.

RECOMMENDATION #9:

It should be an offense for signature canvassers to receive any remuneration for the gathering of signatures or to provide any kind of inducement to an individual to sign, or to refrain from signing, a petition. A related offence should state that an individual must not accept an inducement to sign, or to refrain from signing, a petition.

RECOMMENDATION #10:

Where a measure is approved in a referendum, the government must introduce a bill to implement the results of the vote, as follows:

- In the case of a simple question, the bill must be introduced for first reading;
- in the case of a referendum on a more defined proposition, the bill should be placed on the Orders and Notices paper for second reading. In accordance with the Standing Orders, the bill must previously have been printed and distributed.

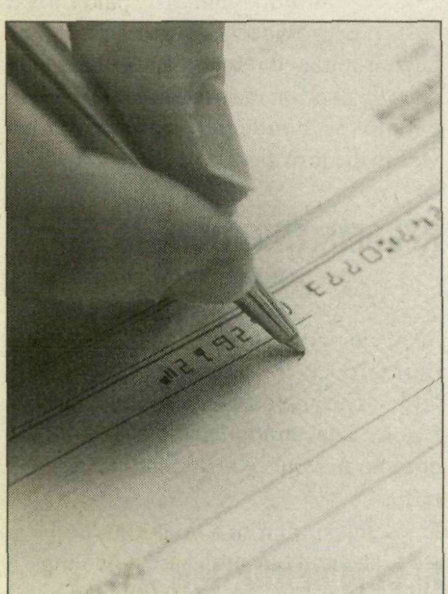
In both cases, the referendum inspired bill should be considered a government bill, and should be pursued by the government at the earliest reasonable opportunity. This procedure should apply whether the referendum is initiated by the Legislative Assembly or by citizens.

RECOMMENDATION #11:

Where the petition requirements have been satisfied, the government should have the option of implementing the substance of the initiative through the introduction of a bill at the earliest practicable opportunity. An initiative vote would accordingly not be held.

RECOMMENDATION #18:

In order for a referendum question to succeed, it must be approved by a 50% + 1 majority of votes cast.■



Referendums give the ones paying the bill a say in how their money is spent.

Canadian tax dollars on a flight to no where

May 31, 1996 marked the end of negotiations to transfer control of Canada's busiest airport - Toronto's Pearson International Airport - from the federal government to a private not-for-profit Canadian Airport Authority. It also marked the beginning of a nightmare for Canadian taxpayers.

The Pearson Airport debacle began in 1993, when during the election campaign the federal Liberals promised to "undo" a contract the Mulroney government had struck with a private sector group to redevelop Pearson International Airport. The consortium had already designed, constructed and financed Terminal 3. The consortium had reached an agreement with the federal government to undertake the rebuilding of Terminals 1 and 2 as well. The privately funded deal would have created 14,000 person-years of construction employment and 1,200 new jobs — all without a dime of taxpayer money being put at risk. Unfortunately, the announcement was made during the 1993 election campaign and became a political football.

The Conservatives touted the deal as an example of private sector success. The Liberals said it was an example of the Tories rewarding their friends with lucrative business deals. Claiming it was a bad deal for Canadians, the Liberals promised to quash the deal if elected.

The cost to Canadians of that simple election promise was $60 million for breach of contract and an estimated $20 million in legal and other fees - the tip of the iceberg in a huge financial disaster.

Having cancelled the deal, the government still faced the pressing need to upgrade the airport's ageing facilities — and with it a price

Continued on page 49

tag that ran in the hundreds of millions of dollars.

In a bid to insulate themselves from the upgrading costs, the government ceded control to the Greater Toronto Airport Authority (GTAA) — a new private not-for-profit entity that would be responsible for upgrading and operating Pearson International.


Tax dollars heading to the wild blue yonder

While this insulated the Chretien government from direct responsibility, it certainly didn't protect Canadians from additional costs.

In fact, a recent analysis by Deloitte & Touche commissioned by Transport Canada shows the price tag for having cancelled the Pearson deal is fast approaching the billion dollar mark. The study compared what the federal government would have earned from Pearson under the original contract with the private consortium, to what they will see as a return under the (GTAA) lease. The study suggests Ottawa will receive about $628 million less during the first 20 years.

Even if it had been left in the hands of bureaucrats, run by the government and never turned over to the GTAA, Canadians would still be better off by about $300 million than with the current arrangement. According to Deloitte & Touche, the cost of the Liberal's promise to protect Canadians from a "bad" deal, made in the heat of a federal election, today sits at more than $800 million. Inflation and tax considerations could push the cost to more than $1 billion.

Unfortunately, it doesn't end there.

The Deloitte & Touche study found serious concern about the actual business plan of the GTAA, which they feel relies on unrealistically high revenue forecasts. The revenue targets are set to increase almost 200 percent over the next six years. The authority is expecting an average annual revenue growth rate of almost 15 percent over the next five years, despite the fact that in the previous five years, the annual rate was only 3.75 percent.

This opens the door to "significant risk" for air carriers, passenger and taxpayers, according to the report.

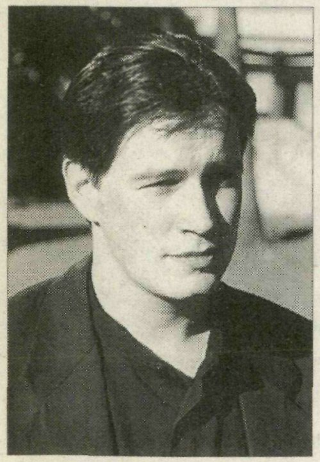
Air carriers will be asked to shoulder the burden. Landing fees and terminal costs will rise by an annual average of 21.24 percent in the next five years. Again, in the previous five years, these costs only rose by 3.75 percent. The authority's plan would see carriers shoulder as much as 65 percent of total airport revenue for the next decade.

Passengers could be looking at a Passenger Facility Charge (PFC) similar to the ones currently collected at Vancouver and Edmonton International Airports. Since every $15 of PFC produces enough revenue to support $1.25 billion in debt, Deloitte says if revenue predictions are off by even 20 percent over the next five years, a PFC of $30 would have to be paid by every domestic passenger and $45 by every international one. Interestingly, in the contract the Liberals cancelled the private consortium was banned from implementing such airport user fees.

Even still, the debt will be more than $4 billion. To support that debt, already astronomical parking fees will have to double, airline landing fees will quadruple and concession fees triple — not a pretty picture.

In fact, the only one seeing a pretty picture is the GTAA — obviously through rose coloured glasses. Taxpayers, looking at the Pearson Airport deal see a setup similar to a house built on cards. The real questions are how long it will take for the house to fall, and what will the final tally be when it is time to build it up again properly?■

New appointment for Ontario



The Canadian Taxpayers Federation is pleased to announce the appointment of Brian Kelcey as the Provincial Director for Ontario effective August 1, 1997. He previously served as Provincial Director in Manitoba.

Ottawa pays out on defaulted loans

Below is a list of some of the companies that have defaulted on loans guaranteed by Industry Canada under the Small Business Loans Act. Since April 1992, Ottawa has paid $258 million to lending institutions on 4,315 defaulted loans. This list includes the name of the company, the total amount of the loan, and the amount which was defaulted.

Name of company	Total loan	Default	Name of company	Total loan	Default	Name of company	Total loan	Default
A Little Greek Restaurant Ltd.	250,000	226,967	Baseball World International Inc.	25,500	24,969	Centre de Formation Info Quebec France I	30,000	28,513
A&H Enviroteck Cleaing Inc.	244,800	199,920	Batting Cages (Mini Dome) Inc.	250,000	250,000	Centre de Location Baie St.Paul Inc.	143,000	104,867
A-1 Liquor Stores Ltd.	91,700	74,891	Beaudoin, Daniel	16,200	15,236	Centre de Sante et de Conditionnement Ph	250,000	225,000
A.C.T. Tel	41,124	41,124	Beaupre, Alain&Sylvie	125,000	119,108	Chabaro Exclusivites	217,000	198,917
A.D. Distribution Codis Inc.	104,000	98,698	Beignerie Cocorico Inc.	16,000	15,579	Champignons Blainville Inc.	34,500	28,463
A.H.P. Restaurants Ltd.	250,000	233,190	Bernadette Arsenealt	56,100	56,100	Champignongs de Blainville Inc.	116,647	106,592
A.J. Corporation Ltd.	150,000	132,500	BFP Woodproducts Inc.	185,000	175,000	Chantal Van Leyen	155,000	130,053
A.J. Simcoe Inc.	250,000	234,373	Bio-Chat (1993) Inc.	250,000	226,891	Chapter Three Fashions (1993) Inc.	150,000	103,572
A.J.S. Transport Inc.	196,452	160,982	Biomasse Technologie Canada Inc.	250,000	225,000	Charcuterie de Provence Inc.	191,760	175,780
A.M. Transmedic Inc.	133,600	118,016	Biscuits le Moulin Blanc Cookies	200,000	183,333	Chateauvert, Sylvie (DR)&Gagnon, Jean	195,840	173,132
A.R.S. Productions Ltd.	135,000	121,125	Bistro le Cachet Inc.	45,900	45,900	Chef Carlos Catering Co. Ltd.	13,831	13,163
A.T.I. Marketing Group Ltd.	161,207	157,848	Black Cat Enterprises Inc.	20,400	18,020	CIBI Casa Fine Meats	223,380	190,497
Abinor Expolosifs Inc.	51,918	50,270	Blanchard, Rene	125,460	115,005	Cimentier Levesque	250,000	231,250
Able Farms Inc.	145,503	138,077	Bogeys to Birdies Golf Limited	70,380	68,621	Cintrage de Bois Deschamps&Ass.Inc.	65,000	61,750
Academie de Billiard Bumpurrs	244,800	244,800	Bogies to Birdies Golf Limited	35,948	34,655	Cintrage de Bois Deschamps & Ass. Inc	125,000	103,404
Academy Patio Doors Limited	250,000	205,795	Bois Firabex (1991) Inc.	48,000	44,000	City Life Publications	136,680	128,138
Accommodat ion Patisserie Danjo Enr.	26,900	25,214	Boleslaw Stanicki	47,000	46,522	Claire Isabell&Lise Mongrain	20,000	18,370
Accommodation Patisserie Danjo Enr.	160,140	145,461	Borisko Service Co. Inc.	170,000	151,786	Classic Brew Company Inc.	150,000	145,000
Agresta-Block Inc.	250,000	218,333	Bouffe-Rapide Rive-Sud Inc.	87,020	82,669	Claude Allard	163,200	118,032
Alcotech Bar Systems Inc.	150,000	125,000	Boulangerie Euro-Pain Inc.	213,123	190,179	Claude Roussy, Annette Roussy	37,740	37,111
Alimentation Labbe Inc.	115,000	106,213	Boulangerie Legault Enr.	100,000	97,500	Clayton Meats Ltd.	94,000	90,012
Alimentation Saly Inc.	60,000	57,750	Boulangerie Ludes Inc.	128,826	125, 759	Club Babyo'z Inc.	178,500	163,625
Aliments Sandy Inc.	250,000	212,488	Brants 1908 Inc.	250,000	233,333	Club de Golf et Camping St. Majorique	155,880	125,570
All Buck (Campbellton)Inc	30,000	23,000	Brett Howard Mcllwain	206,000	198,643	Cmt Holdings Inc.	250,000	245,400
All Buck (Sussex) Inc.	30,000	24,500	Bronzage L.M. Soleil Inc.	137,700	120,488	Cogerag Inc.	249,900	231,158
All Buck (Tracadie) Inc.	45,000	37,500	Bruce Raddatz	39,868	37,875	Cole Port Ltd.	35,700	35,100
Allan H. MacDougall	103,537	99,278	Brunet Robert	8,000	7,111	Colin&Jody Kroeker	122,400	99,960
Allium Bar Billard Inc.	142,000	128,243	Brunet, Robert	75,000	70,000	Communications Robert Lauzon	100,000	87,222
Amus. Jack Masson Inc.	117,871	103,242	Bruno Poulin	166,718	160,969	Communications Robert Lauzon	150,000	121,250
Amusement C.P. Inc.	220,000	212,667	CA$H'N DA$H	82,620	75,047	Comtax Financial Management	180,540	156,423
Anderson's Trucking Ltd.	202,837	178,805	Cafe Cappuccino Ltd.	88,400	88,400	Construction Leo & Serge Poirier	18,120	9,966

Name of company	Total loan	Default	Name of company	Total loan	Default	Name of company	Total loan	Default
Cornerstone Sports	24,990	22,491	Lambert Food Group Inc.	110,000	99,340	Les Jeux Rista Inc.	112,001	104,534
Cosmic Vistas Corporation	148,400	139,743	Langio Ltee.	117,300	105,840	Les Planchers T.L. Inc.	160,724	154,772
Cosmotech Cosmetics Inc.	135,000	116,968	Lasertron Games Inc.	250,000	241,667	Les Poutrelles I.D. Inc.	150,200	134,902
Cote, Charles et Roy, Sonia	40,000	38,560	Lawrence&Miles Enterprises	208,447	196,288	Desjardins, Ginette	132,600	125,809
Crazy Al the Tire Man Inc.	113,000	60,492	Le Buffet Maison Kirin (Ajax)	140,000	129,231	Deziel, Stephane	11,760	10,976
Crocodeli Restaurant (Bells Corners)Ltd.	249,900	214,180	Le Centre du Camion Pelletier (1991) Inc.	60,690	40,156	Diane Nolin	50,000	45,808
Cross Link Transportation Ltd.	8,840	8,350	Le Centre du Camion Pelletier (1991) Inc.	60,417	55,227	Distribution Harvy&Bergeron	65,000	38,140
Cross Link Transportation Ltd.	22,000	18,944	Le Club Cooper. De Consomm. De Matagami	150,000	132,412	Distribution Harvey Bergeron	72,000	36,000
Cubique Design Inc.	31,600	30,547	Le Coq La-La Inc.	142,800	124,635	Distribution Minute Gourmet	33,000	32,083
Cuisine Nature C.L.G. (1994)	250,000	232,143	Le Coq Rapido Inc.	200,000	174,800	Distributions Christian Paradis	194,480	176,074
Cycle Rack Media Inc.	125,000	125,000	Le Musee des Scien. Natur. De Que. Inc.	250,000	229,130	Distributions J.N.L. Inc.	95,424	87,608
D. Boudreau Pieces D'Auto	249,000	224,432	Lebel, Laquerre et Associes	120,000	98,000	Domaine Premont Inc.	142,800	135,640
Daly's Brewing Emporium	163,200	154,879	Lectronik Auto Lab Inc.	250,000	227,217	Domenic Pizzimenti	120,000	120,000
Daniel Ares	153,000	142,675	Lee's Donuts Inc.	110,741	101,513	Don Baxi Agencies Inc.	250,000	143,750
Daniel J. Sorin	90,882	90,882	Leo Simard	119,340	90,320	Donald J. Rivers	8,000	8,000
Darcy S. Frowen	23,460	22,483	Leopold Gagnon	50,000	48,750	Donald McLellan	15,912	14,204
David B. Earle	150,000	141,788	Leroy E. Gooden&Richard J. Jomphe	43,988	43,125	Donald Poulin	25,500	23,491
David Trask	150,000	143,750	Les Aciers J.V.C. Inc.	145,469	145,469	Dr. Barry Berman	147,900	145,316
Davidson Optical Inc.	124,440	107,922	Les Amis de Jeannot Inc.	12,240	12,240	Dr. Jean-Rock Mathieu	250,000	206,427
Dayla Transport Inc.	51,396	51,396	Les Assises Pro Inc.	153,000	141,100	Du-Bo Meubles Inc.	42,840	42,840
De Royal Ajustage Inc.	165,000	132,000	Les Bas Uniques Inc.	250,000	174,400	Dyna-Pro Inc.	110,000	99,000
Deghi Inc.	155,000	151,125	Les Emballages St-Eustache	204,000	179,714	E.A.T. Cafe Inc.	250,000	221,959
Delice O Delice Epicerie Fine	100,000	93,910	Les Entrep. Forest. Leandre Cote Inc.	170,933	170,933	E.M. Select Medical Technology Inc.	154,769	147,015
Demers Inc.	127,500	121,640	Les Entreprises Alfredo Nicolo	200,000	177,778	Eastern Bowling Centre Ltd.	28,367	17,493
Denis Gagnon/Distributions D.G.	54,060	54,060	Les Entreprises Brochu&Lalani Inc.	175,000	171,759	Eastern Bowling Centre Ltd.	111,588	74,392
Depanneur St. Jean et Fils Inc.	240,000	216,000	Les Entreprises Chickadee Enterprises	244,800	207,464	Easy Distribution Inc.	45,000	40,727
Depulsor Inc.	219,912	212,179	Les Enterprises Filro Inc.	225,000	209,394	Edible What Candy Corp.	90,000	81,000
Jumbo Bear Sports Cards Inc.	160,000	126,273	Les Entreprises Forestieres rene Voyer 1	235,742	107,007	Eileen W. Secord	75,000	65,000
Just Add Water Food Group	250,000	213,000	Les Entreprises Heroux&Aubin	218,400	159,700	Elko Investments Ltd.	90,000	81,000
K&L Wholesale Meats	125,000	120,536	Les Entreprises Lustro-Laque	250,000	191,950	Encans Noram Inc.	250,000	229,166
Kam-Five Holdings Ltd.	250,000	211,322	Les Entreprises Tremat Inc.	250,000	229,167	Entreprises Acericoles St.-Godard Inc.	250,000	222,908
Kelowna Butcher&Baker Restaurants	250,000	219,515	Les Franchises Trans Quebec	190,944	183,545	Entreprises Isomur Inc.	250,000	224,392
King Cheese Incorporated	45,900	45,135	Les Gestions Shavi Inc.	200,000	143,300	Entreprises Tre-ga (1987) Inc.	112,914	101,627
Kino Design Inc.	250,000	237,500	Les Industries P.D.I. Inc.	43,299	32,474	Erico Transport Ltee.	13,500	8,625
Kipp Group Inc	137,668	125,580	Les Industries P.D.I. Inc.	40,000	32,666	Erico Transport Ltee.	32,400	30,600
Komduroc Ltee	110,000	82,000	Les Installations Goulet&Freres Inc.	26,400	17,606	Etienne Harvey&Dany Jobin	128,432	120,409

Name of company	Total loan	Default	Name of Company	Total loan	Default	Name of Company	Total loan	Default
Excavation Rene Letourneur	130,830	125,742	H&J Restaurant Inc.	126,450	108,536	Les Six Bons Fruits Ltee	129,500	125,830
Express J.L.M. Inc.	120,000	111,353	H&J Restaurant Ltd.	126,021	96,718	Les Vetements Minerve Clothing Inc.	200,000	184,605
Extra-Foin BSL Inc.	250,000	210,031	Hang Fook Lau Chinese Restaurant Co.	249,900	216,567	Leslie R. Brown	18,000	18,000
Fairlane Double Holdings Ltd.	59,500	17,680	Hanover Bakery Inc.	165,000	161,554	Lori Dawn Accessories	250,000	248,262
Fairlane Double Holdings Ltd.	62,220	18,745	Hardy Electronics (1994) Ltd.	250,000	208,330	Louise Carpentier	27,540	161,500
Fieldco (Mississauga) Inc.	250,000	250,000	Heath MacDonald	175,138	130,016	Louise Provost	30,600	29,535
Filcan Ventures (International)	180,990	168,000	Herbert, Mario&Jean-Claude	193,800	174,420	Luc Periard	25,116	25,116
Finica Fashions International	250,000	243,750	Helene Cart ier et Marcel Cartier	115,000	112,761	Luc St-Cyr	10,000	10,000
First Class Flowers Ltd.	250,000	230,898	Henderson Dyer Rapid Freight	233,000	206,557	Lucas Retro Inc.	175,000	149,479
For Ladies Only Health Spa	120,000	84,085	Henry R. Copage	120,000	109,262	La Moulerie dans l ile	250,000	190,476
For the Love of Waffles Inc.	30,000	27,000	Henry's (H.T.M.) Excavating and Contract	180,466	173,974	Manling Food Service	250,000	205,729
Force Com Corp. D'Inves. Du Canada Inc.	155,000	144,667	Higher State Holdings Inc.	150,000	128,750	Marbre Tiffanek	117,000	110,036
Foresterie Georges-Henri Dube&Fils Inc.	175,000	165,278	Hui's B.B.Q. House Ltd.	91,800	91,800	Marche R.G.G. Inc.	132,600	127,350
Forge International Inc.	109,140	100,429	Hui's B.B.Q. House Ltd.	20,000	20,000	Mariam's Real Leather Wear Inc.	182,400	161,120
Foster, Sharon	140,000	136,477	Hunter Business Cons. Inc.	250,000	112,410	Marmilux Corporation	250,000	238,095
Francine Fortin	100,000	95,571	Hyde Park Plant Centre Ltd.	250,000	202,083	Martin Emonts	250,000	244,048
Funtastikids Inc.	249,900	179,141	Hydrostone Cleaners&Tailors	107,743	105,346	Max Technologies Ltd	250,000	241,060
G.S. Dodge Developments Ltd.	27,494	27,158	Imprimerie Astra Salaberry Inc.	160,000	152,000	Meats Galore Ltd.	167,132	107,501
Gagnon, Richard et Tremblay, Sylvie	158,000	151,576	Imprimerie Parthenon Inc.	120,000	101,429	Media Futur Interact if	137,000	120,344
Gest. Des Forets et Cultures du Que. Inc.	125,000	115,521	Ingolf Canada Inc.	200,000	181,013	Memphis Belle Diner	250,000	237,533
Gest ion C F P Inc.	142,075	131,715	Interpos Inc.	215,000	167,381	Metivier, Diane	25,500	24,225
Gest ion C.J.P.M. Ltee.	153,000	118,555	Ion Anghel Trucking	117,810	107,990	Meublart Monteregie	149,940	149,940
Gest ion Cinemo Inc.	240,000	220,001	Irrigation de L'estrie Inc.	127,500	108,208	Meubles LaLonde Inc.	250,000	231,250
Gest ion Conile Inc.	169,125	155,032	J&M Lounge Limited	102,000	92,650	Michael A. McMahon	129,030	122,831
Gest ion Copaje Inc.	250,000	245,557	J. Mounayredji	122,400	117,300	Michael Bennett Professional	220,000	191,590
Gest ion Etlo Inc.	136,530	130,841	J.C. Chevarie	100,000	96,929	Michel Laroche	250,000	244,825
Gest ion Francia Inc.	100,000	98,810	James B. Arnold	27,000	27,000	Miga Foods Inc.	165,000	158,971
Gest ion G&D Inc.	173,196	170,313	James Healey&Dorothy Healey	242,000	217,324	Mikazans, Harry Gregory	142,800	142,800
Gest ion JDSM Inc.	135,700	124,392	Janice Switlo	228,958	228,958	Miramare Enr. Par M. Gilles Mercure	132,600	132,600
Gest ion Misa Inc.	138,883	124,995	Jasmine Fortin	109,956	108,123	Morin, Dany	31,620	31,620
Gest ion R.C. Brodeur Inc.	135,000	122,143	Jean-Paul Guay&Claude Bout in	33,150	30,664	Mr. James Scholefield	121,079	111,204
Gest ion Soumande Inc.	171,172	151,202	Jean-Paul Guay&Claude Bout in	15,000	12,825	Mr. Loring W. Chilson	130,263	114,812
Gest ion Trois Soleils Inc.	135,645	118,689	JLF Holdings Inc.	165,500	138,915	Mult i Services Sara Boulanger	6,712	5,820
Gignac, Sylvain&Gilbert, Sylvie	229,755	227,058	John and Darla Hyslop	101,393	96,195	Multi Services Sara Boulanger	41,820	36,293
Gilles Letendre	211,000	208,139	John N. Gooder	135,000	133,702	Myrna St. Germain & Lorna Astrakhan	32,500	25,454
Gordon Diversified Leasing Inc.	250,000	223,341	John Perepeletza	100,000	94,406	Myrna St. Germain & Lorna Astrakhan	17,500	13,370
Gralen (1993) Limited	165,300	142,342	Jolin Claude	100,000	97,222	Neon Decoratif J. R. Inc.	148,368	139,095

Name of company	Total loan	Default	Name of company	Total loan	Default	Name of Company	Total loan	Default
Network Offices (Toronto) Inc.	250,000	249,872	Ralph Solomons	10,000	10,000	Schad, Mike & Andre, & Dr. Johnson	112,031	101,760
New Management Corporation	188,700	166,632	Rapidinsert Inc.	250,000	214,045	Scirroca Investments	130,000	114,833
Niagara Roasters Inc.	250,000	214,583	Ray Express Courrier Inc.	147,600	145,624	Serge Gonthier Inc.	126,704	110,471
Night ingales Oriental Buffet Restaurants	250,000	222,222	Ray's Leasing Ltd.	154,000	113,542	Sha-nel Holdings Ltd.	140,000	100,319
Nino Giangrande	117,300	107,525	Raymond Rafman	113,754	107,829	Shayne Lachance and Reid Cowper	125,000	108,000
North Country Coffe Corp.	153,000	148,350	Redbird Bakery Inc.	190,000	183,214	Sherico Bakery Ltd.	108,964	105,106
North Star Seafoods Inc.	102,000	82,275	Reliure Dynamique Inc.	215,000	195,292	Shum Holdings (Delta)	250,000	221,000
Northern Lights Bar&Grill Ltd.	170,000	158,760	Rest. Le Biar. Cote Basq. Enr. (G. Tonnele)	130,000	128,343	Silvercoin Laundromat & Dry Cleaning Inc.	140,000	120,161
Northern Oasis Inc.	110,000	102,704	Restaurant Au Coin Du Pont	208,080	183,600	Smart Tax Inc.	7,000	7,000
Northumberland Family Restaurants Ltd.	250,000	222,222	Restaurant Georges et Yvan Corbin Enr.	110,000	106,850	Socomar Inc.	160,000	146,660
Numant Investments Limited	249,900	221,925	Restaurant Jardins de la Vallee	250,000	250,000	Sofa-Confort Alf Inc.	250,000	217,203
Omegatex Industries de Lavages Inc.	250,000	225,000	Restaurant la Petite Poulette Inc.	250,000	233,333	Sonad Enterprise	150,000	142,185
On a Roll Marketing Inc.	73,990	53,032	Restaurant le Marin Inc.	225,000		Source One Process	137,700	119,088
Opium Typique Diete Orientale	250,000	223,556	Restaurant One Corporation	122,400	115,884	Spickett's Fine Food Market ing	250,000	250,000
Paint Process Technical Sprayers	107,000	104,258	Restaurant Romuald	195,008	195,008	Sport Junction Inc.	209,100	192,088
Panneaux de Bois Sainte-Rose	127,500	108,906	Restauration C.K.M.P. Inc.	250,000	233,333	Steve A. Conte	122,783	122,783
Patisserie le Grand Duc	250,000	233,332	Restauration Deber Inc.	154,995	142,078	Steve Faelker	106,931	101,532
Patric Mercier	152,290	111,964	Restauration L.B.G. Inc.	199,010	176,207	Stonegate Brewing Inc.	120,000	115,000
Paul Marcel Dery	102,000	102,000	Restaruation Valpat Inc.	169,952	145,624	Stuart & Saladino Spec. Food Shop Inc.	112,200	106,590
Peliquick Inc.	125,000	117,560	Resto Cardinal Inc.	229,500	223,125	Sunflower Community Market Co-op Ltd.	116,000	110,201
Performance Plus Tire & Automot ive	13,000	12,070	Resto Club Chao Bella Inc.	191,454	184,036	Sunningdale Food Mart	34,680	26,588
Performance Plus Tires Automotive	50,000	46,424	Resto Cristal Inc.	229,500	223,125	Sunningdale Food Mart	36,000	27,600
Performances A.G.S. Inc.	173,400	164,730	Resto-Franco Inc.	178,500	176,847	Sunrise Vending Inc.	125,802	96,645
Peterex Construction Inc.	180,030	168,028	Riceco Foods (Verona) Ltd.	250,000	216,667	Sunshine Brewing Co.	174,781	162,030
Petro Pneus Inc.	175,000	169,745	Richard Coughlan	109,539	102,337	Supermarche M.G. Inc.	225,734	210,685
Phoenix Brewing Company Ltd.	150,000	138,889	Ricsue Holdings Corporation	153,000	145,000	Sur Explo Forage et Dynamitage Inc.	127,500	127,178
Pistes et Securite Quebec Inc.	196,860	191,392	Rob-Will Enterprises Inc.	250,000	243,750	Suro Danana Cocktail/Grjl Inc.	195,000	172,656
Place L'Alouette Inc.	197,012	182,647	Robert Dewitt Trucking (1994)	200,000	176,170	Syl Shar Holdings Inc.	125,000	99,992
Placements Bobby Wong Inc.	250,000	250,000	Robert Nadeau&Liliane Benoit Nadeau	56,100	56,100	Sylvie Plante & Guy Morin	145,860	142,704
Plafonds Pan-O-Laq Acoustique	150,000	112,500	Robert Plouffe	11,220	11,220	Systrans (1987) Inc.	130,000	118,926
PMI Plastics Manufacturing Inc.	110,000	99,906	Rocca Design Lightstone Inc.	81,600	74,689	Tecno Jet Inc.	161,700	160,353
Pneu et Mecanique Andre Regnaud	250,000	154,762	Rocca Design Lightstone Inc.	23,330	21,285	Tennessees American Bar & Eatery Ltd.	109,650	105,384
Pomodoro Pasta Bar Inc.	204,000	193,500	Rodney Todd Whidden	119,098	109,379	Terrance R. Spencer	123,485	121,425
Potager Sante Inc.	245,000	238,194	Roger Bernard Company Ltd.	230,000	126,600	Terrebonne Debosselage Inc.	142,800	116,620

Name of company	Total loan	Default	Name of Company	Total loan	Default	Name of Company	Total loan	Default
The Great Outdoors Canoe Adventures	249,900	213,122	Western Galaxy Corporation	150,000	125,000	2843-3712 Quebec Inc	249,900	247,288
The Old Barn Pub & Restaurant Corp.	249,900	206,285	Woodbine Market & Deli Ltd.	147,338	135,764	28611631 Canada Inc.	215,220	202,108
The Paragon Inst itute Inc.	165,000	163,036	World Textiles Recycling Inc.	150,000	135,182	2907780 Canada Inc.	250,000	239,583
The Tap & Barrel Brewing Ctr.	188,073	140,349	York Street Hospitality Ltd.	249,900	213,800	2907798 Canada Inc.	250,000	239,583
The Upper Crust Cafe Restaurant Inc.	116,178	114,820	Your Back Office Inc.	127,500	112,625	2935261 Canada Inc.	250,000	207,260
The Willow Corporat ion	116,000	108,267	Zivko Foods Limited	110,000	110,000	2959-7085 Quebec Inc	250,000	236,163
Thompson, Mary Anne&Vincent	190,000	173,440	Zone Magique Ltd.	250,000	233,741	2962-8609 Quebec Inc	250,000	230,932
Totalvision Photonics Ltd.	150,000	131,006	Zoom Informat ique Inc.	250,000	233,333	2968-3414 Quebec Inc	250,000	223,214
Traiteur le Fignolet Inc.	182,000	175,500	O-Fruits-Viande le Gardeur Inc.	121,391	115,149	2970-6751 Quebec Inc	250,000	229,167
Trans-Electronique Inc.	112,914	100,832	1000146 Ontario Inc.	250,000	244,046	2975254 Canada Inc.	250,000	235,226
Trans. CSC de St. Francois de Sales Inc.	145,000	112,691	1022003 Ontario Inc.	187,500	160,144	3001199 Canada Inc.	250,000	232,143
Transport & Demenagement Maxi Inc.	142,228	101,930	1034237 Ontario Limited	250,000	221,569	3030482 Canada Inc.	250,000	217,173
Transport Bon Air Inc.	142,800	130,900	1034512 Ontario Limited	249,900	243,872	305800 Canada Inc.	250,000	237,500
Transport Marc Laliberte Inc.	138,869	122,377	1036708 Ontartio Limited	250,000	197,937	3090-2720 Quebec Inc	250,000	239,580
Transport Michel St. Pierre Inc.	130,063	116,902	1037477 Ontario Limited	250,000	204,167	3090-6929 Quebec Inc	250,000	225,000
Transport Nidan Inc.	123,000	120,325	1041893 Ontario Inc.	250,000	248,083	3094-2486 Quebec Inc	250,000	208,333
Transport R. Bisson Inc.	100,000	100,000	1044031 Ontario Ltd.	219,300	215,645	3094-3419 Quebec Inc	250,000	238,877
Tri-Summit Development Corp.	100,000	80,241	1044564 Ontario Inc.	122,400	116,186	3096 6477 Quebec Inc	250,000	220,833
Triad Fabricators Inc.	210,000	192,500	1047647 Ontario Limited	250,000	247,863	3097-2137 Quebec Inc	250,000	245,832
Tuff Trucks Protective Coatings Ltd.	102,000	97,167	1061096 Ontario Inc.	204,000	173,299	3098-2144 Quebec Inc	250,000	202,083
Turkey Turkey Franchising Corp.	62,500	53,035	1067364 Ontario Inc.	250,000	241,301	3098-7374 Quebec Inc	250,000	223,958
Twin Towers Management Ltd.	250,000	241,906	1068482 Ontario Inc.	139,000	134,367	3102-9127 Quebec Inc	250,000	250,000
Uni-Gim Plus Inc.	16,440	11,508	1070508 Ontario Inc.	250,000	229,240	3105-0958 Quebec Inc	224,400	222,530
Uni-Gym Plus Inc.	51,000	36,550	1070958 Ontario Inc.	229,000	220,819	470169 B.C. Ltd.	250,000	220,824
Uniglobe Voyages des Bois-Francs Inc.	22,236	20,914	1072995 Ontario Limited	240,000	230,000	559094 Alberta Ltd.	250,000	204,232
Uniglobe Voyagesdes Bois-Francs Inc.	18,000	15,375	1077014 Ontario Limited	250,000	232,500	596663 Alberta Ltd.	250,000	224,781
Uplink Telebroadcast Services	20,400	16,600	1082906 Ontario Inc.	250,000	237,519	599815 Alberta Ltd.	225,000	211,875
Uplink Telebroadcast Services	22,000	21,267	1082953 Ontario Limited	250,000	211,112	9001 3459 Quebec Inc	250,000	243,697
Urban Expresso English Bay	222,000	212,600	1090106 Ontario Ltd.	250,000	237,500	9002-8820 Quebec Inc.	115,000	115,000
V&S Transport Inc.	119,489	102,421	1091032 Ontario Limited	250,000	237,500	9003-5999 Quebec Inc	249,900	214,480
V.E.G. Holdings Ltd.	250,000	232,863	1091162 Ontario Inc.	250,000	229,167	9004-6533 Quebec Inc	250,000	235,119
Vaudrin, Andre, Johanne, & Nancey	129,000	118,250	1116822 Ontario Limited	250,000	239,583	9006-9477 Quebec Inc	250,000	239,580
Venturi Manufacturing Ltd.	149,940	116,551	1117167 Ontario Inc.	250,000	235,492	9007-7710 Quebec Inc	250,000	235,417
Victory Plumbing Ltd.	250,000	229,000	1133342 Ontario Inc.	250,000	212,500	9009-9078 Quebec Inc	250,000	250,000
Vincent, Daniel	204,000	187,926	1142955 Ontario Inc.	250,000	225,000	9010-3078 Quebec Inc	250,000	245,833
Vi per Clothing Inc.	200,000	159,524	1142956 Ontario Inc.	250,000	226,810	9015-8247 Quebec Inc	250,000	247,916
Visual Conception Visuel (Vicovi)	250,000	133,233	156118 Canada Inc	250,000	243,056	901552 Ontario Inc.	250,000	247,500

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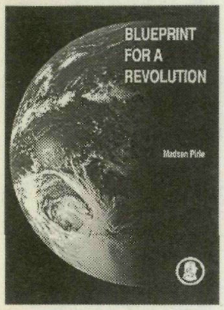

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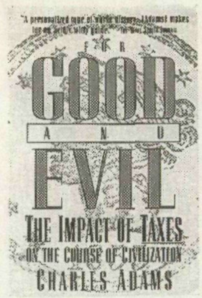

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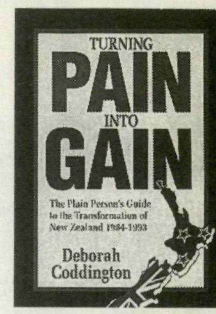

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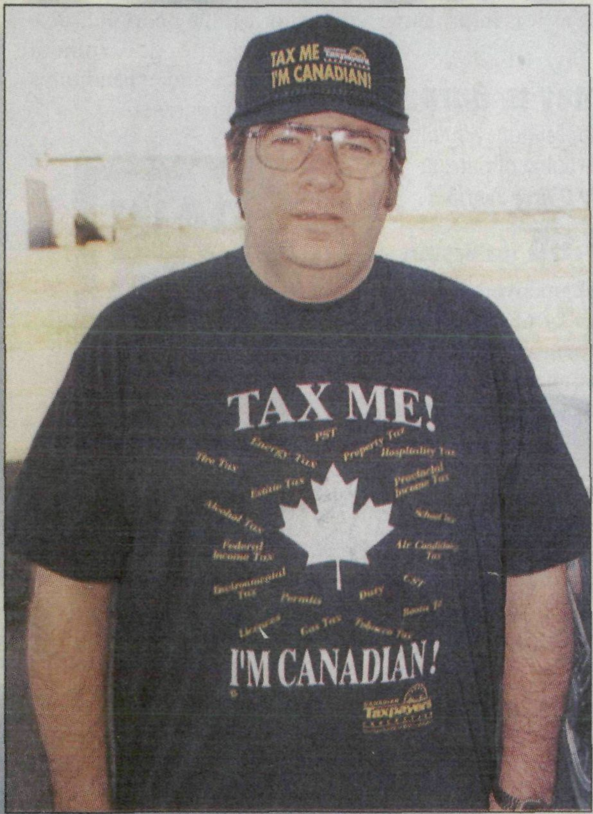

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